EXHIBIT 90

COMPANY REPORT

GERMANY

CHEUVREUX CRÉDIT AGRICOLE GROUP

15 July 2010

SOFTWARE
UPDATE POST SYBASE ACQUISITION

SAP

Sybase: a bold value-enhancing deal

■ Sybase acquisition makes sound economic sense

The acquisition of Sybase, due to be closed soon, is a bold strategic move, considerably expand the addressable market for SAP and leveraging its existing portfolio/technology/client base. In contrast to market sentiment, we are convinced that the fully priced transaction makes economic sense and will drive up EPS, return on sales and RoCE, as early as 2011/12E.

■ Small amount of synergies make Sybase RoCE-accretive

We raise our EPS estimates by 5% for 2011E and by 9% for 2012E on consolidating Sybase on a pro-forma basis. Given Sybase's high returns, the takeover should be roughly EVA-neutral from the start. The transaction will be 'RoCE-accretive' with the realisation of a mere EUR139m in pre-tax synergies, which equate to roughly EUR400m in revenue escalation on a 35% operating profit margin assumption. As we believe the revenue synergy potential for SAP/Sybase to be much higher, possibly exceeding EUR1bn, the RoCE for the investment could surge to 2-3x WACC within few years.

■ SAP back on a growth trajectory

We expect SAP to have already returned to significant organic top-line growth of some 9-10% p.a., driven by the improved IT spending environment, the return of larger software deals, the recapture of lost market share, the launch of new products (Business ByDesign), more favourable FX rates, and the company's re-energisation following the change of top management. From 2011E the scheduled Enterprise Support price increases (from 18.4% to 22% by 2016E) will add further to margins and profitability.

■ Re-rating to follow: target price raised to EUR44

Based on our 8-15% above consensus pro-forma EPS projections, SAP shares are trading at an inexpensive 2011E P/E of 13.9x, on a marginal premium vs. Microsoft/Oracle/Sage and a 20% discount relative to Dassault Systemes. With SAP back on meaningful growth track and the economics of the Sybase-deal yet to be fully appreciated, a re-rating of SAP shares becomes increasingly likely. Consequently, we lift our DCF-based target price from EUR41.5 to EUR44 and reiterate our 1/Selected List rating.

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Rating	1/Selected List
Target price (6 months)	+16.2% EUR44
Price (14/07/2010)	EUR37.86

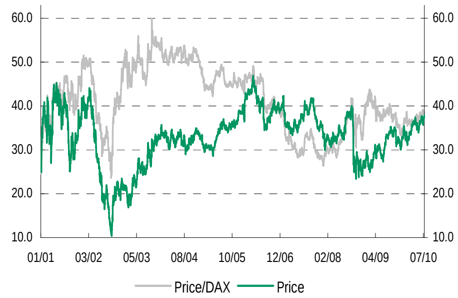
Reuters: **SAPG.DE** Bloomberg: **SAP GR**

Stock data

Market capitalisation	EUR44940m
Free float	EUR32536m
Enterprise value	EUR44993m
No. of shares, adjusted	1187m
Daily volume	EUR 194.70m

Performances

	1 month	3 months	12 months
Absolute perf.	3.5%	4.3%	30.3%
Relative perf.	2.1%	5.5%	0.3%



Next Event

Release of Q2-10 results on 27 July 2010

Sector focus

Sector Top Picks	Capgemini, SAP
Least favoured	

Shareholders

Free Float 75.4%, Founders 24.6%

To 31/12 (EUR)	2009	2010E	2011E	2012E
Sales (m)	10672.0	12131.0	14183.0	15901.0
EBITDA (m)	3087.0	4139.0	5046.0	5750.0
EBIT (m)	2588.0	3654.0	4496.0	5200.0
Net att. profit, rest. (m)	1983.0	2690.0	3225.0	3676.0
Free cash flow (m)	2706.0	(1145.5)	3300.3	3736.2
Clean EPS	1.67	2.27	2.72	3.10
Net dividend	0.50	0.60	0.80	0.90

	2009	2010E	2011E	2012E
P/E (x)	19.8	16.7	13.9	12.2
EV/EBITDA (x)	12.1	10.9	8.4	7.0
Attrib. FCF yield (%)	6.9	NS	7.3	8.3
Net debt/EBITDA (x)	(0.3)	0.5	(0.0)	(0.4)
Yield (%)	1.5	1.6	2.1	2.4
ROCE (%)	35.7	33.4	41.8	48.9
EV/Capital empl. (x)	5.2	4.1	3.9	3.8

Company profile

A true global market leader…
Founded in 1972, SAP is the world's third-largest software company and the largest business application software vendor, with a global core market share of 33%. Addressing a USD70bn world market, it has more than 100k customers in 28 industries and generates 50% of its revenues outside Europe.

…with the most comprehensive portfolio…
SAP has the largest installed base and most extensive industry know-how among the peers. With its suite approach (incl. ERP, CRM, SCM, PLM, HCM, etc.), including the business process integration platform called NetWeaver, it is able to deliver complete software solutions at low total cost of ownership, an issue that has top priority for CIOs these days.

…including fast-growing business intelligence products
SAP successfully entered the business user segment with the takeover of Business Objects, which enabled it to substantially expand its reach at customers. Within 12 months, Business Objects became SAP's fastest-growing product line and achieved group-average profitability. Now Sybase with its mobile middleware comes on top.

Launch of on-demand software Business ByDesign ahead
Going forward, SAP plans to enter further into the software-as-a-service (SaaS) market by launching the twice-delayed, entirely new and comprehensive on-demand software suite for midmarket customers with 100-500 staff. The launch, anticipated for H1-10E, will expand the company's addressable market by about 1m customers/USD10bn.

SWOT analysis

Strengths	*Weaknesses*
Global leader in enterprise application software with an integrated suite of e-business solutions; strong global R&D organisation; international diversification; high (>54%) proportion of recurring maintenance revenues; world leading partner ecosystem	SAP is perceived less favourably by small and mid-sized enterprises ("too big, too complex"); leverage potential in business model not fully realised; operating profit margin still below those of leading US software vendors; R&D efficiency could be higher; time-to-market not fast enough; BBD launch late

Opportunities	*Threats*
Increasing market share worldwide; rising penetration rate among existing customers (up-selling); fast-growing client base in emerging markets; margin upside through rising leverage of existing business model; huge rise in addressable market via entry into the so far untapped midmarket, business user segment, and the mobilisation of suite; commercialisation of in-memory database software	Customers avoid large IT projects, relying on small projects with fast RoI; switch from upfront licence to subscription model, allowing new competitors to emerge; third-party competition in maintenance segment; mounting price pressure; arch-rival Oracle re-gaining strength; Microsoft or IBM may increase their commit-ment to the application sector

Valuation

Including a pro-forma consolidation of Sybase, SAP shares are trading at a highly attractive 2011E P/E multiple of 13.9x, representing a discount relative to European peers and only a small premium vs. Oracle and Microsoft. With SAP in the early stages of fighting back, regaining growth momentum and market share, we find the shares undervalued.

Our reworked DCF model, for the first time including Sybase, renders a 'fair value' of EUR44, up from EUR41.5. The capitalisation of the expected acquisition-related synergies explains three quarters of the increase.

Following years of multiple compression and de-rating (amid low/inexistent top-line growth), we are convinced SAP shares are at the beginning of a re-rating, based on a return to meaningful low-double-digit top-line growth, driven by the economic recovery, market share gains, FX trends, and acquisitions (incl. Sybase).

Hence, it should move back from its recent 'IT utility' status become a 'secure growth' investment.

Investment case

Investors appear not to fully appreciate SAP's bold USD5.8bn (EV) acquisition of Sybase. Despite the steep price tag, the deal, which is soon to close, makes not only strategic but also economic sense. Hence, we expect Sybase to

- to lift SAP's EPS by 5% in 11E and 9% in 12E

- to be slightly EVA-positive, though RoCE-dilutive for 11E, but to boost group RoCE from 12E.

Moreover, SAP should already have returned to significant organic top-line expansion of some 9-10% p.a., driven by the improved IT spending environment, the return of larger software deals, its regain of lost market share, its launch of new products (Business ByDesign), more favourable FX rates and its re-energisation following the top management changes. From 11E, the scheduled Enterprise Support price increases (from 18.4% to 22% by 16E) will come on top.

Based on our pro-forma EPS projections for SAP incl. Sybase, SAP shares are trading at an inexpensive 11E P/E of 13.9x. With the company back to meaningful growth and the economics of the Sybase-deal misperceived, a re-rating of the shares now appears increasingly likely. We have raised our target price for SAP from EUR41.5 to EUR44.

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Summary

Sybase acquisition a smart move that will drive up both growth and returns

The acquisition of Sybase, due to be closed soon, is a bold strategic move, considerably expanding the addressable market for SAP and hence leveraging its existing portfolio/technology/client base. Most importantly, it will keep SAP very relevant for customers and will facilitate the sale of additional licences to new/more users. In contrast to market perceptions, we are convinced the (not inexpensive) transaction also makes plenty of economic sense, driving up EPS, return on sales and RoCE, probably already from 2011/12E

Only a low level of synergies required to make the Sybase deal RoCE-accretive

We have increased our EPS estimates by 5% for 2011E and by 9% for 2012E on consolidation of Sybase on a pro-forma basis. Given Sybase's high returns (EBIT: 31%), the takeover should be roughly EVA-neutral at the beginning. The hurdle rate to make the transaction 'RoCE-accretive' would be the realisation of a mere EUR139m in pre-tax synergies, which equates to roughly EUR400m in required revenue synergies (assuming an incremental operating profit margin of 35%). As we believe the revenue synergy potential for SAP/Sybase is much higher, possibly exceeding EUR1bn, the RoCE for the investment could well surge to 2-3x WACC within a few years.

SAP expected to have returned to a growth trajectory

SAP should have recently returned to significant organic top-line growth of about 9-10% p.a., driven by the improved IT spending environment, the return of larger software deals, its regain of lost market shares, its new product launches (Business ByDesign), more favourable FX rates and the company's re-energisation following the top management changes. From 11E the scheduled Enterprise Support price increases (from 18.4% to 22% by 2016E) will also be added.

Margin expansion on track to meet mid-term goal of 35% no later than 13E

The company's return to meaningful organic top-line growth, fuelled further by acquisitions, in combination with continuously tight control of expenses, is poised to drive SAP's pro-forma (non-IFRS) operating margin up from 27.4% last year to an estimated 31.9% this year and 33.2% next year (including Sybase, before considering PPA/amortisation). Thus, we are convinced that by 2013E SAP may reach its mid-term goal of 35%, which would equate to EPS of about EUR3.50/share.

Current valuation of SAP attractive, not reflecting benefits from Sybase; TP up

Based on our pro-forma EPS projections for SAP incl. Sybase (which are well above current consensus), SAP shares are trading at an inexpensive 2011E P/E of 13.9x, a marginal premium vs. Microsoft/Oracle/Sage and a 20% discount relative to Dassault Systemes. With SAP having returned to meaningful growth and with the economics of the Sybase-deal misperceived, a re-rating of the stock is looking increasingly likely. As a result. we have lifted our target price for SAP from EUR41.5 to EUR44.

PEER COMPARISON

Peers	Rating	Mkt. cap. (EUR bn)	Performance (%) 1 m	12 m	Avg. EPS Grth 07-11, %	2011 Ratios (x) P/E	P/CF	EV/ EBITDA	EV/ EBITA	Yield (%)	P/B (x)	ROE (%)	Gearing (%)
Dassault Systemes	2	6.30	5%	75%	+9.9	19.0	15.1	10.6	11.3	1.5%	3.7	17.1%	-52.2
Microsoft Corp.	N	175.15	-4%	21%	+15.6	11.0	9.2	6.7	6.1	2.0%	3.8	34.2%	-67.4
Oracle Corp.	N	94.53	2%	27%	+17.9	11.4	10.0	6.5	6.3	0.9%	2.7	23.8%	-6.2
Sage Group PLC	N	3.84	0%	42%	+7.2	12.2	10.7	8.7	8.2	3.3%	1.8	15.1%	-
Sap	**1**	**44.94**	**4%**	**30%**	**+14.5**	**13.9**	**12.4**	**8.4**	**9.4**	**2.1%**	**3.8**	**27.6%**	**-1.4**
Software AG	2	2.72	8%	101%	+21.5	14.1	11.4	8.1	9.3	1.7%	3.2	24.1%	-5.6

Source: CA Cheuvreux estimates; JCF

I — Valuation leaves room for re-rating

SAP shares are priced not far from the low end of their recent valuation range. Hence, the company has not yet been given any credit for its resumption of top-line growth. Thus, any confirmation of SAP being back on a growth trajectory may well trigger a re-rating. We see little justification for the shares' discount vs. European peers and low premium vs. Oracle and Microsoft, with SAP now in the first stages of regaining steam. Taking into account Sybase makes SAP under-priced to the extent of an additional 5-10%, with the market so far refraining from buying into SAP's revenue generation opportunity. Our reworked DCF model, including Sybase for the first time, renders an increased 'fair value' of roughly EUR44, up from EUR41.5. We are convinced SAP shares are set to shift their status from that of an 'IT utility' to that of a 'secure growth' investment.

■ SAP's P/E is far from demanding

At 14x 11E P/E SAP shares are priced far below fair value …

On a P/E basis, SAP shares are trading at 16.7x 10E and 13.9x 11E pro-forma earnings (incl. Sybase). This is at the low end of its own historical range (13-25x). With its top line returning to double-digit growth, we are convinced the shares deserve a re-rating. That will likely come when management shows that it can sustainably deliver significant Software (licences) sales growth and when the market has recognised the ultimate contribution from the Sybase takeover. Hence, in terms of its shares' characteristics, SAP is poised to return from being an 'IT utility' to become a secure growth investment, justifying not only an end to the past years' multiple compression but eventually also a higher premium versus the market as a whole.

Relative to the domestic DAX30 index, which trades at roughly 12x 2010E earnings and about 10x 2011E earnings, SAP shares are currently priced at a 30% premium. From our perspective this fails to adequately reflect its growth prospects and quality of earnings. With structural growth now a rarity, defensive quality growth should be even more appreciated than in the past. Compared to European large-cap technology peers Nokia (2010E P/E: 12.0x, 2011E P/E 12.5x) and Ericsson (2010E P/E: 13.1x, 2011E P/E 11.5x), SAP's multiples appear inexpensive.

… with discount to peers and a low 30% premium to the market

The company's traditional valuation premium vs. US arch rival Oracle has recently begun to rebound from its long-time lows. It stands at 10-15% for this year and next and is thus close to the low end of the traditional range. However, in light of the two enterprise software giants' relative performances, a widening of the gap appears justified, with Oracle facing less rapid organic sales growth and acquisition-related margin erosion. Relative to Microsoft, SAP's premium stands at 20%, with Microsoft having reached its limits with respect to profitability.

SAP: VALUATION COMPARISON

Peers	Rating	Mkt. cap. (EUR bn)	Performance (%) 1 m	Performance (%) 12 m	Avg. EPS Grth 07-11, %	2011 Ratios (x) P/E	P/CF	EV/ EBITDA	EV/ EBITA	Yield (%)	P/B (x)	ROE (%)	Gearing (%)
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Software AG	2	2.72	8%	101%	+21.5	14.1	11.4	8.1	9.3	1.7%	3.2	24.1%	-5.6

Source: CA Cheuvreux estimates; JCF

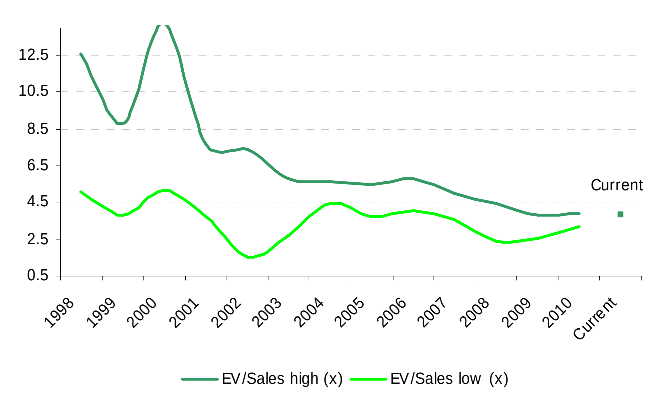
SAP's EV multiples are reasonable

SAP shares priced far above their 2002 trough, for a justified reason

Taking EV/sales as a yardstick, SAP shares are priced at 3.2x (2011E). This compares with a 10-year (1998-2009) average of 5.3x. The lowest EV/sales multiple recorded over the past decade was 1.5x in 2002, but today's SAP is hardly comparable to the company as it was eight years ago, since its share of recurring revenues has climbed from 27% to about 54%, thereby justifying a significantly higher multiple. For comparison, Oracle's EV/sales ratio stands at 3.3x (premium over SAP: 3%).

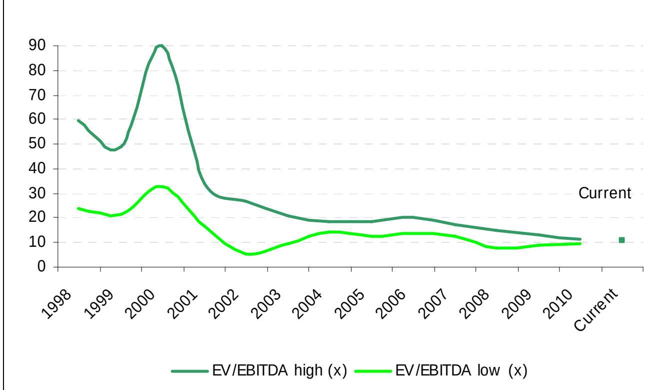
SAP is currently priced at 6.1x EV/recurring sales vs. 9.0x for Oracle. From our perspective, the discount relative to Oracle can no longer be fully explained by SAP's still considerably lower profitability, as SAP's returns are forecast to increase (toward 35%) whereas Oracle's returns are expected to decrease slightly due to the Hardware business acquired.

SAP: EV/SALES MULTIPLE (X)



Source: Hoppenstedt, CA Cheuvreux

SAP: EV/EBITDA MULTIPLE (X)



Source: Hoppenstedt, CA Cheuvreux

EV multiples for SAP far below ten-year averages: return to growth justifies a re-rating

In EV/EBITDA terms, SAP's shares are currently trading at 8.4x (2011E), with the 10-year average at 24.5x and the decade-low at 5.6x. Here again it is important to consider the growth prospects: SAP grew fast in earlier years, before stagnating from 2007 to 2009 with annual revenues of EUR10-11bn, and has now returned to the growth trajectory. If management succeeds in exploiting its full potential to lift profitability, i.e. raising the company's pro-forma (non-IFRS) operating income margin from about 31-32% this year towards 35% by 2013E, SAP has a fair chance of achieving earnings growth in the high teens in 2011-2013E. Thus, the shares should be priced as a 'secure growth' stock again.

DCF valuation signals significant undervaluation

DCF model signals a fair value of at least EUR44 per share

A DCF valuation also illustrates the significant undervaluation of SAP shares. Even based on conservative assumptions (pro-forma non-IFRS operating margin reaching 35% by 2013E before gradually retreating, beta factor of 1.1, a 2.5% terminal growth rate and WACC of 8.1%), we arrive at a 'fair value' per SAP share of roughly EUR44. Applying a more favourable long-term EBIT margin, on account of the company's market dominance and proven stability, the 'fair value per share' rises by EUR2 for every single percentage point of higher profitability.

SAP (INCL. SYBASE): DISCOUNTED CASH FLOWS

Net operating FCF, EURm	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
EBITDA	4,139.0	5,046.0	5,750.0	6,240.0	5,967.7	6,133.7	6,315.0	6,485.2	6,590.3	6,602.9
Tax	(1,017.6)	(1,295.3)	(1,546.1)	(1,699.9)	(1,622.3)	(1,722.6)	(1,779.6)	(1,834.8)	(1,868.4)	(1,874.6)
CAPEX	(4,245.9)	(354.6)	(397.5)	(425.0)	(425.0)	(452.5)	(480.0)	(505.0)	(525.0)	(538.0)
Working capital	76.4	25.9	24.8	26.1	(17.0)	40.9	40.9	37.2	8.7	(45.7)
Net operating FCF	**(1,048.1)**	**3,422.1**	**3,831.1**	**4,141.1**	**3,903.4**	**3,999.6**	**4,096.3**	**4,182.7**	**4,205.7**	**4,144.6**
Discounted net opFCF	(1,048.1)	3,154.0	3,254.3	3,242.1	2,816.6	2,647.7	2,487.8	2,330.5	2,149.9	1,943.7

Source: CA Cheuvreux estimates

SAP (INCL SYBASE): DCF VALUATION

Market capitalisation	EURm	
1-10 years	22,978.5	42.8%
Terminal value	30,650.7	57.2%
Enterprise Value	**53,629.3**	
+ Restated financial assets	1,983.1	
+ Other assets	0.0	
- Net financial debt	1,982.0	
- Pension provisions	55.0	
- Other debt	0.0	
- Minority interests	0.0	
as a % of net profit	0.0%	
Market capitalisation	**53,575.4**	
/ Number of shares, m	1,187.0	
= Share price, EUR	**45.1**	

Source: CA Cheuvreux estimates

SAP (INCL. SYBASE): DCF PARAMETERS

Parameter	
Riskfree rate, %	4.7%
Risk premium, %	2.0%
Tax rate	28.8%
Cost of debt	4.6%
Riskfree rate, %	4.5%
Company risk factor, beta	1.1
Market risk premium, %	4.0%
Cost of equity	8.9%
Gearing	0.0%
WACC	8.1%
Terminal growth	2.5%

Source: CA Cheuvreux estimates

II – IT market environment and trends

Global IT spending has improved materially, returning to pre-crisis levels. Although customers keep a tight control on investments and expenses, the corporate world has become much more constructive, shifting its emphasis back to growth. Thus, IT spending is up moderately this year, with the bulk of the business still related to small, fast-RoI projects. However, even large projects, which typically benefit mainly SAP, are coming back. In addition, EUR-denominated vendors, such as SAP, should benefit from the strengthened USD/EUR rate.

■ Improving trading conditions, with IT spending up

Global IT spending on the mend, with SAP benefiting additionally from FX trend

With the economic recovery progressing around the world, companies have gradually shifted their emphasis back to growth. IT customers need to stay competitive and minimise their risk, particularly as long as the market environment remains highly volatile. Hence, openness and transparency have become business imperatives, not least to demonstrate accountability.

In the last two years, decision making processes have increasingly moved from IT departments to general top management, whether because of tightened controls on investments and expenses or due to the need for improved analytical insight into businesses. Hence, demand for board-level solutions to manage performance and compliance has risen strongly and, we believe, sustainably. During the same period and fuelled by cost pressure, customers' buying behaviour has moved towards smaller average transactions and projects with shorter returns on investment. While the latter has now shifted back moderately owing to the economic recovery, with the re-emergence of large, transformational projects, a return to the pre-crisis product mix appears unlikely for the foreseeable future. On top of that comes the rise in demand resulting from continuously surging data volumes, roughly doubling every 18 months, and the mobilisation of workforces. The latter has been crucial in boosting demand for real-time information to enable greater visibility and enhanced decision-making, even when staff are away from the office.

SAP, which faced its most difficult year in 2009, has reacted swiftly to market trends and transformed itself. It now offers small, packaged solutions with faster RoI and has aligned its cost base by reducing its global workforce by 3,000. SAP's software solutions increase visibility across organisations and throughout business networks and thus benefit from rising IT spending among corporates.

In USD terms, global IT spending in 2010E is likely to be up 3.9 y-o-y, with software spending even climbing 5% y-o-y (Gartner), despite continued constraints from the lack of funding in parts of Europe. As the software vendor most exposed to large enterprise projects, SAP should be a prime beneficiary of the recent normalisation, in particular with the return of large, transformational IT projects. The weakening euro will boost its reported top line even further (translation benefit).

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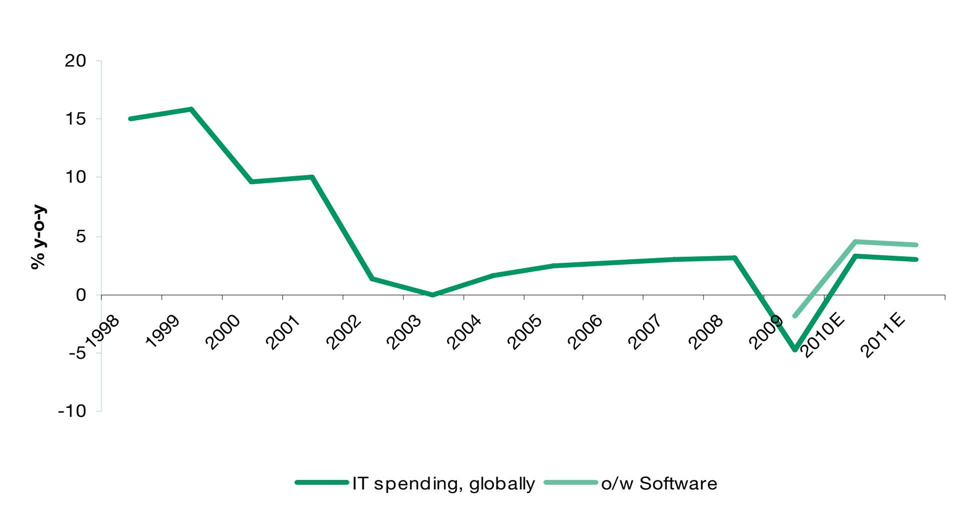
WORLD IT AND SOFTWARE SPENDING (% Y-O-Y, USD)



Source: Gartner; CA Cheuvreux estimates

Due to its typical late-cycle characteristics, the IT Services segment is lagging somewhat behind in terms of recovery. This year it is set to generate fairly flattish revenues, hit by the drought in terms of new projects and low-budget contracts signed last year. However, with the software products business about to rebound, professional software services should follow with the usual six-to-twelve months time lag.

III – Renewed SAP strategy

With its recent top management changes, SAP has been re-energised, although its strategy has only been fine-tuned. The company's focus remains on generating organic growth, but with a more open approach towards buying technology and new markets. Internally, it has re-emphasised R&D and has adjusted its operations to boost productivity. The group's overriding target remains to lift its operating return from this year's roughly 31% to 35%, which we think is realistic by 2013E.

■ Top management reshuffle re-energising SAP

Co-CEOs McDermott and Hagemann-Snabe replacing Apotheker, …

In early 2010, SAP reshuffled its executive board. Its aim in doing so was to regain customers' and partners' trust, to accelerate the implementation of its slightly modified strategy, to renew its focus on innovation, and to regain the loyalty and commitment of its most important asset, its staff. Hence, driven by its founders Hasso Plattner (Chief of the Supervisory Board) and Dietmar Hopp, SAP pushed through the following changes:

- Former CEO Leo Apotheker, who resigned on 7 February this year, was succeeded by new co-CEOs Bill McDermott (Head of Global Distribution) and Jim Hagemann-Snabe (Head of Product Development), SAP's rising stars of late.
- Vishal Sikka was appointed to the executive board as Chief Technology Officer (CTO) on 7 February 2010.
- Former board member in charge of Ecosystem and Corporate Development and Head of SAP BusinessObjects, John Schwarz, resigned on 11 February 2010.
- While COO Erwin Gunst left SAP for health reasons, the contract of long-time board member Gerhard Oswald (new COO, in charge of Global Service & Support) was extended until year-end 2011.

… not only re-energising formerly paralysed SAP but also rebuilding the group's top management team

- In April 2010, Dr Angelika Damann was hired from Unilever to become a new SAP board member with responsibility for global human resources and its Labour Director (effective 1 July 2010).
- From July/August 2010 (time of closure of the acquisition), John Chen, the CEO of acquired Sybase, will join SAP's executive board.

Hence, there has been a significant reshuffle at the top of SAP to reposition the company in the global marketplace with the software industry facing challenges to its traditional business model. This should be seen as an opportunity for a fresh start following years of stagnation. It gives SAP the opportunity to improve its customer and employee relations, as Mr Apotheker was seen as a drag in both areas. We find the change in management (which has not been restricted to changes at the helm) a promising move and are convinced it has begun to re-energise the company. SAP is set to accelerate its pace of innovation by restructuring its R&D (to lift efficiency by forming small teams of ten to develop solutions in close collaboration with clients).

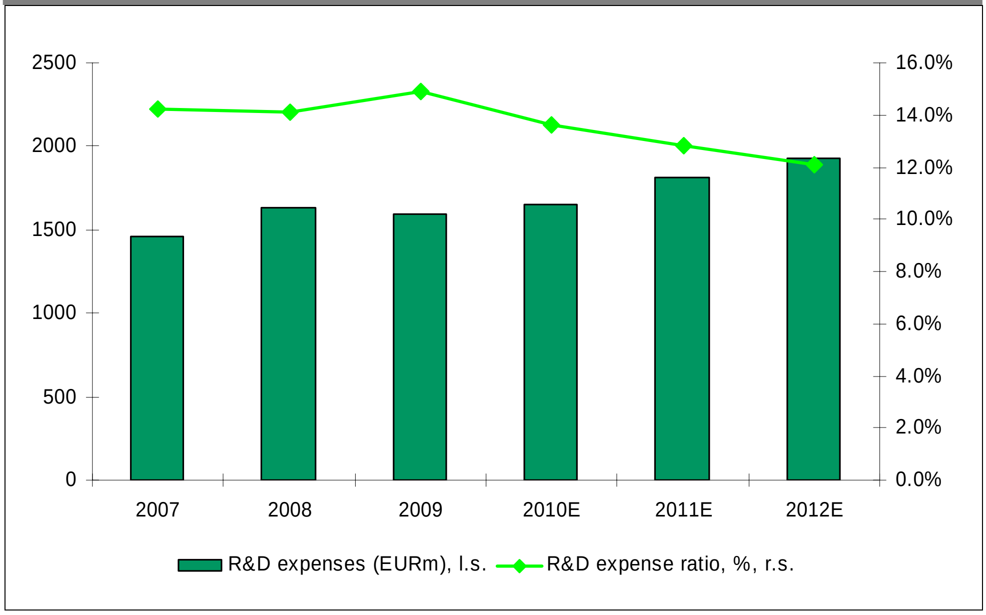
■ Continued focus on organic growth by way of innovation

SAP remains committed to grow its business mainly organically, thus re-emphasising R&D

SAP's mission remains to help customers run their businesses better and hence increase their effectiveness and efficiency. The basis of SAP's efforts to generate much faster top-line growth going forward will remain a) the organic expansion of its market share with existing clients with its existing product portfolio (trying to capture an increasing share of wallets), b) a further increase in the breadth of its product portfolio through the addition of functionality to address an increasing number of users (note: even throughout 2009, SAP kept its R&D high and introduced new products, such as SAP Business Suite 7 and SAP BusinessObjects Explorer), and c) a boost in its number of customers by winning new enterprises.

In this context, the key for SAP will be to leverage the industry's largest ecosystem to drive growth via co-innovation and collaboration with customers and partners.

SAP: R&D EXPENSES AND RATIO, 2007-2012E



Source: SAP, CA Cheuvreux estimates

Exkurs: current SAP portfolio:

- **SAP Business Suite 7**: SAP's core product, the Business Suite, provides modular applications (ERP, CRM, PLM, SRM, SCM) that improve customers' ability to run end-to-end business processes within their organisations as well as across business networks. Regular updates are provided via enhancement packages (since 2007/8), allowing for simple, fast adoption of new product functions. SAP's Business Suite is available with distinct industry solutions for 25 major verticals, based on best practices.

- SME solutions **SAP Business All-in-One, SAP Business One**, and the about-to-be widely deployed **SAP Business ByDesign**: SAP Business All-in-One is a configurable, comprehensive (from financials, human resources, procurement, inventory, manufacturing, logistics, development, to corporate services), flexible software solution with built-in support for industry best practices (for companies with 500-2,500 staff). SAP Business One is an integrated, on-premise solution for small enterprises (10-100 employees) covering end-to-end operations, providing instant and complete enterprise information. SAP Business ByDesign, for enterprises with 100-500 staff, is the company's new on-demand solution, comprising various functions of the Business Suite. It delivers best practices for financial management, CRM, human resources, project management, procurement, and supply chain management. By unifying business processes it improves transparency and visibility, allowing for faster, better-informed decision-making in compliance with rising regulatory demand.

- **SAP BusinessObjects**: a portfolio of software for business users, including intelligence platform solutions for business intelligence (BI) and information management (IM), providing trusted business information and thus enabling users to respond faster and make better, timelier decisions. Flexible and highly scalable SAP BusinessObjects solutions are available in both on-premise and on-demand deployment. BI solutions are used to support forecasting, to track and analyse key business metrics, and to interact with sophisticated visual representations of information. IM solutions provide functions for data integration, data quality management, and metadata management. in seamless combination with SAP's NetWeaver middleware platform.
- **SAP solutions for sustainability**: SAP's sustainability software is focussed on tackling energy consumption, greenhouse gas emissions, product safety, healthcare, and sustainability performance measurement.
- **SAP NetWeaver** middleware technology platform: NetWeaver is SAP's technical foundation for services-oriented architecture (SOA) services. As a middleware, it integrates SAP and non-SAP software to ensure compatibility.
- Consulting, maintenance and training services for SAP's software solutions.

Complementary acquisitions to spur growth

Steady screening of small bolt-on acquisitions to speed up innovation

Aside from its continued efforts to generate organic growth, SAP will continue to target strategic acquisitions and fill-in acquisitions to buy products and/or enter markets. As for the fill-in transactions, SAP has steadily strengthened its product offering by purchasing externally-developed complementary software functionality in recent years. There is no doubt it will continue to pursue that approach, thereby speeding up the time to market for new/innovative features.

SAP: ACQUISITIONS 2008, 2009 AND 2010

Business acquired	Sector	Deal type	% of equity acquired	Date	Purchasing price, net of cash, EURm	Goodwill, EURm	Revenues, EURm
2010							
Technidata	Environment- and Security software (a SAP partner since 1995)	Share purchase	100%	April			EUR65m
Sybase, USA	Mobile middleware, messaging services, database software	Share purchase	100%	August	EUR4000m		EUR987
2009							
Sky Data Systems, USA	Mobile CRM solutions	Asset purchase		28-May	)	)	
Clear Standards, USA	Software for the management of carbon emissions	Share purchase	100%	02-Jun	)	)	
Highdeal, France	Pricing/charging/rating software solutions for the telecoms industry	Share purchase	200%	02-Jun	) EUR68m combined	) EUR41m combined	
SAF, Switzerland	Ordering and forecasting software solutions for the retail, logistics, and industrial industries	Share purchase	71%	04-Sep	)	)	
SOALogix, USA	Software solutions managing the flow of info among people, business processes, and apps, integrating industry-specific project mgmt with SAP's Portfolio+Project Mgmt sol.	Asset purchase		01-Dec	)	)	
2008							
Business Objects, France	Business Intelligence software solutions	Share purchase	100%	21-Jan	EUR4185m	3487	c. EUR 1500
Analytics, USA	E-procurement and procurement-related analysis software	Asset purchase		13-Jun	)	)	
Visiprise, USA	Manufacturing execution software solutions	Share purchase	100%	22-Jul	) EUR91m combined	) EUR24m combined	
Ness Technologies, Israel	Global provider of IT services and solutions (Israel sales and distribution division only)	Asset purchase		14-Aug	)	)	

Source: SAP

As for large(r) strategic acquisitions, SAP has traditionally been very hesitant and cautious. Thus, by early 2010 its only major transaction was the 2008 takeover of Business Objects, which expanded its reach into the BI arena and captured market leadership from the beginning.

Larger strategic acquisitions not ruled out, but cautious approach to be retained

With its expertise gained and its success proven, we believe SAP is now more open for acquisitions to fuel revenue growth, not least due to its recent management changes. The EUR4.6bn acquisition of Sybase may be seen as a case in point. It gives the company the previously lacking vision to get its software onto mobile devices. Furthermore, it will accelerate the commercialisation of the company's highly innovative database technology and thus help SAP expand into new market segments.

From our perspective, one should not expect SAP to embark on an Oracle-me-too strategy. However, investors should take the Sybase transaction as a signal that SAP has begun to change, will be moving faster and will exploit its financial might to quickly capture market opportunities to enhance its competitive position. Thus, we believe SAP will accelerate its pace of acquisitions and, on average, may consider larger targets, without accepting too much (integration and execution) risk.

Diversified deployment model for software consumption

SAP to pursue a hybrid software consumption model, leaving customers the choice between on-premise and on-demand …

With the software industry's deployment model challenged and changing, in particular due to the continued proliferation of internet-delivery consumption, SAP has decided to move towards an agnostic model, leaving the customer the choice of how to consume its software and solutions. Hence, SAP's strategy is to provide its offering

- **On-premise**: with the software purchased by the customer and installed on the customer's IT assets.
- **On-demand**: with the software managed, maintained and monitored by SAP in own and third-party-hosted data centres, giving customers more predictable IT costs, while seamlessly integrated them into the on-premise world and thus extending the value of SAP's Business Suite.
- **On-device**: with SAP's software accessible from a multitude of different devices, ranging from desktop PCs at the workplace, to notebook/netbook/tablet PCs on the go, to mobile smartphones (with almost all platforms supported).

…while providing access from all kinds of devices, including mobiles, at all times, at all locations

SAP's on-device move was lent particular credibility with the acquisition of pacesetter Sybase and its world-leading mobile middleware and messaging platform. This will allow SAP to leverage the latest technologies, such as virtualisation, cloud computing and in-memory technology.

With its mainstay in large enterprise customers and their desire to protect their existing IT assets, SAP has a particular interest in the coexistence of different consumption models. Thus, it is so far the only vendor offering hybrid solutions, combining on-premise with on-demand software, believing in both a gradual shift in demand from incumbent on-premise to on-demand consumption as well as continued customer demand to own mission-critical software.

Internal operations about to be readjusted

Reshuffle of R&D: switch from centralised to small decentralised teams to speed up innovation

In reaction to the dismal employee satisfaction survey (as reflected in the Employee Engagement Index) in late 2009, SAP's new top management has embarked on a major readjustment of its internal operations, in particular its crucial R&D (15,000 software engineers worldwide, with the main labs in Walldorf, Bangalore and Palo Alto). In order to revive the culture of innovation and creativity at SAP, management plans to reduce the number of hierarchy levels, to make its organisation much leaner and less complex, to simplify and streamline its internal processes and to enable a much faster pace of innovation.

Hence, to lift the depressed morale (which was severely hit by the 3,000 job cuts last year), the new SAP management team has provided staff with a job guarantee until 2014. Furthermore, led by co-CEO Jim Hagemann-Snabe, SAP's R&D team will be completely reorganised, abandoning the previous hierarchical structure and instead implementing a large number of small independent teams of up to ten engineers, who will work closely together with customers. Management's focus on R&D and the reinforcement of development power also represents a switch from former days, when marketing and distribution had priority.

Intensified dialogue with customers to become more customer-oriented

In addition, SAP has started to fight its reputation of being arrogant, inflexible and rather egocentric as opposed to customer-centric. New co-CEOs McDermott and Hagemann-Snabe are leading the company's strongly intensified dialogue with customers. Going forward, SAP aims to develop more customer-oriented solutions, with sharply reduced time-to-market and industry-leading total cost of ownership.

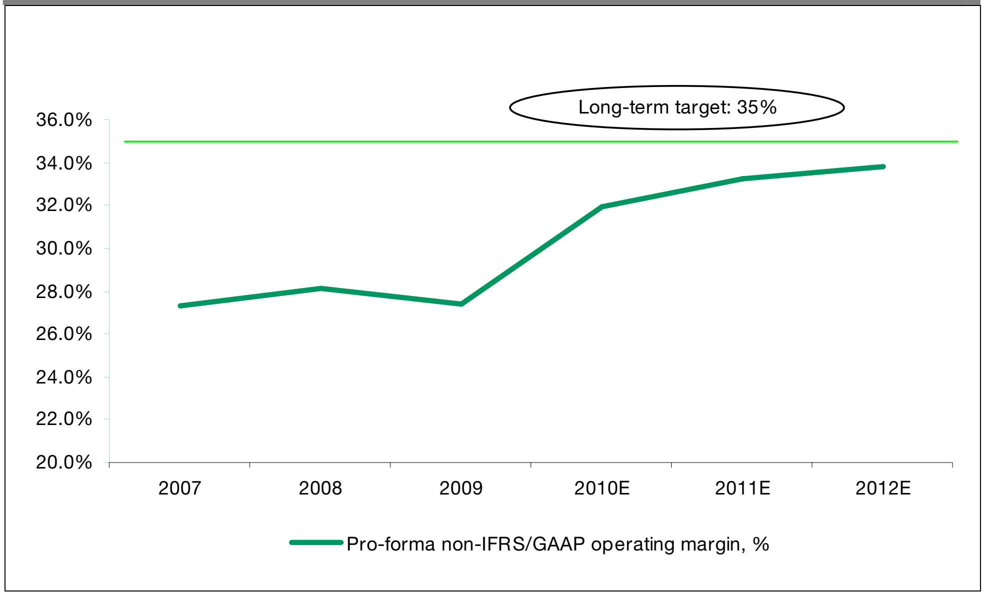
In brief, in winter 2010 SAP began to undergo a substantial transformation. Its makeover - likely the most drastic in the past decade and unlikely to be finished before end-2010 – was urgently needed to re-energise the powerhouse. The Sybase transaction should support the changes and may well be regarded as a sign that SAP is 'on a run'.

SAP management remains committed to increasing operating returns to 35%

Higher profitability still targeted

SAP's new management has left no doubts that it remains fully committed to the company's medium-term return target and continues to strive for a (non-IFRS) operating profit margin of 35%. Anything else would have been a major surprise, given that both new co-CEOs as well as CFO Dr Werner Brandt had originally been involved in the determination of that target.

SAP: PRO-FORMA NON-IFRS/GAAP OPERATING MARGIN, IN % OF SALES



Source: Company data; CA Cheuvreux estimates

In order to succeed, the company needs to generate accelerated top-line growth and margin expansion at the same time. Its recipe will likely be a) to keep R&D spending at high levels in absolute terms (to boost innovation), but to diminish R&D as a % of sales, b) to increase the efficiency of its sales and marketing, and c) to keep a tight control on all further expenses (typically non-front-office-related).

The achievement of its 35% target would substantially reduce, possibly eliminate the still existing, though reduced gap to major US peers Oracle and Microsoft. Given recent

foreign exchange trends, which have played more into the hands of SAP, there is a fair chance that SAP will reach its goal faster than so far envisaged, most likely by 2013E, we believe.

■ Management compensation system in line with targets

Top management compensation system well aligned with shareholders' interests, targeting a much higher share price

The compensation of SAP's Executive Board is fully aligned with the company's operational targets. Compensation is based on three elements and is performance-based:

- ■ Fixed salary.
- ■ Performance-related profit sharing, based on the level of target achievement with respect to a) non-IFRS operating margin and operating income and b) the cash conversion rate.
- ■ Long-term share-based compensation (virtual stock options), with a key date being end-2010, the date of maturity of SAP's Incentive Plan 2010, which requires a) SAP's market capitalisation to exceed the H2-05 level of EUR43bn (share price: EUR35) by a minimum of 50% and b) SAP's share price performance to have outperformed the S&P North Software-Software Index over the same period.

Hence, for SAP's management to benefit 'big time', a share price in excess of EUR50 would be required, which is certainly in the best interest of shareholders.

IV— The Sybase transaction

The acquisition of Sybase, which is due to be finalised soon, represents a bold strategic move for SAP. The aim of the EUR4.2bn equity value transaction is to provide SAP with a multi-year source of fresh growth, mainly from addressing new users through the possibility to access existing software from mobile devices. Thus, sales of new licenses for the Business Suite and the accelerated commercialisation of SAP's innovative in-memory technology are key. Although the price tag for Sybase looks steep, the company's high returns (>31% operating margin), low interest expenses, and very substantial revenue synergies make it EPS-accretive from the beginning. According to our scenario, SAP needs to realise a moderate EUR400m in revenue synergies to make Sybase also RoCE-accretive.

■ Transaction profile: a USD5.8bn all-cash deal

Acquisition of Sybase comes at a steep price, at first glance, but will be immediately EPS-accretive

In May 2010 SAP agreed on the acquisition of US-based software vendor Sybase Inc. for USD65/Sybase share or USD5.8bn in enterprise value (including USD0.5bn in 2010E net cash). Given the steep price tag of some 25x earnings, 15x EV/EBITDA and 4.7x EV/sales (all for 2010E), we expect no counterbid and the transaction is likely to be closed within Q3-10E. SAP will finance the purchase of Sybase (3,800 employees) - a vendor with 2009 sales of USD1.2bn growing at an average rate of 9-10% p.a., non-US GAAP EBIT of USD346m and USD164m net profit - with EUR2.75bn new loans (currently carrying a variable interest of 2.4% p.a.) and the remainder in cash. The deal will be immediately EPS-accretive, adding 5% to our 2011E estimated EPS.

SYBASE: TRANSACTION METRICS

Takeover	USDm	EURm	EUR/USD
Sybase purchasing price (EV)	5800	4640	1.25
Sybase net cash 12/2010E	500	400	
Sybase equity acquisition price (=Cap Empl.)	**5300**	**4240**	
Financing	**Capital, EURm**	**Pre-tax weighted cost p.a., %**	**Cost of capital, EURm**
Equity used	1490	11%	
Debt	2750	3%	
Total cost of financing	**4240**	**8.1%**	**343**

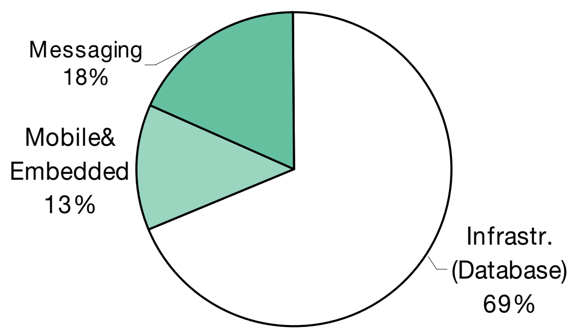
Source: CA Cheuvreux

■ Strategic rationale: major expansion of addressable market

Sybase will be acquired mainly to expand the TAM for SAP's existing products

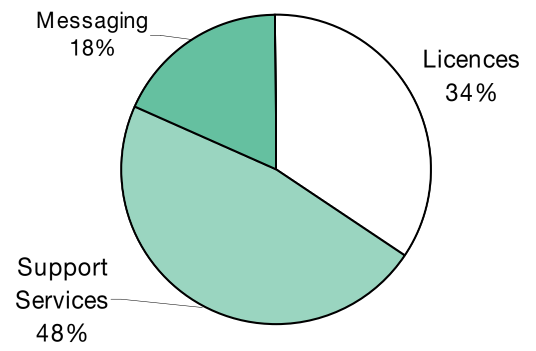
The rationale behind SAP buying Sybase is to create a new source of growth amid the increasing maturation and saturation of the core enterprise applications software market with large customers. By buying the world-leading, cutting-edge, mobile middleware product (2010E sales: USD159m, +9% y-o-y), SAP's primary target within the framework of the acquisition, and putting business applications onto mobile devices, thus extending the business process closer to the point of action, SAP will be able to provide customers with real-time data from its suite and with analytics software at any time, in any location, on any device. While addressing all professional mobile phone/smartphone users, SAP will keep its relevance, enabling many more users (millions, from the shop floor to the CEO) to access SAP data by making its software accessible for mobiles and hence encouraging more people collaboration in business. This will likely prove particularly important in emerging economies with less dense broadband penetration. With no competitor able to offer the same access (without relying on Sybase), SAP is set to gain a major edge from the transaction.

SYBASE: 2010E REVENUE SPLIT BY MARKET



Source: CLSA estimates

SYBASE: 2010E REVENUE SPLIT BY BUSINESS



Source: CLSA estimates

With Sybase, SAP will gain another growth business (2010E sales: USD227m, +15% y-o-y). Sybase is the world's largest provider, operating 1.5bn messages (SMS, MMS, ...) a day via 850 mobile network operators worldwide, benefitting from the increasing pervasion of smartphones, the proliferation of data volume over mobile networks, and the global adoption of mobile payment services.

Sybase will also have favourable repercussions regarding the commercialisation of in-memory

To a lesser extent it will probably also benefit from Sybase's established high-end 'Adaptive Server Enterprise' (ASE) database business (2010E sales: USD849m, +3% y-o-y; 3% world market share), contributing a valuable installed base in the banking and telecommunications industries (where size of data and speed of access are crucial). The company's customer base combined with access to important supplemental column-oriented-database (on disk) expertise are poised to be leveraged to accelerate the commercialisation of SAP's in-house developed, patented, much faster (by a factor of thousands, due its ability to address a multitude of MPUs) in-memory technology. Column-oriented in-memory technology (as opposed to row-oriented incumbent database technology), on which IBM and Oracle are also working, enables real-time analytics and will ultimately move SAP closer to a one-stop-shop offer, combining enterprise applications software with databases. Most likely, SAP will also license out in-memory to third parties to boost adoption.

■ Revenue and cost synergies: revenue synergies fuelling top-line growth

Cost synergies are likely to be limited but …

While cost synergies from the transaction will probably be fairly limited (we estimate some 1-2% of sales = EUR10-20m), encompassing mainly back-office integration and joint procurement, the attraction of the deal lies predominantly in top-line synergies.

- SAP's management is particularly confident it will boost the growth of its existing SAP Business Suite and Business Objects portfolios via mobile accessibility, allowing for a substantially increased number of users at existing customers.
- Sybase will also add more than 10,000 customers to SAP's existing 95,000 customer base, thus driving the joint base to >100,000. Sybase's particular strength lies in the financials/telecommunications sectors and in its strong presence in China.
- Furthermore, we expect SAP to develop many attractive new apps for its enterprise customers to boost demand from customers to buy more additional licences on account of the enlarged functionality.
- SAP will use Sybase's leading complex event processing and analytics software and will sell the product to its existing customer base, using the distribution power it already has in place.

■ While SAP will develop so far inexistent support for Sybase's traditional database software, to be incorporated into its SAP Business Suite 7 within six months, the main driver for the database business will likely be the combination of its highly innovative in-memory technology with Sybase's products, allowing for faster commercialisation of in-memory as well as likely kick-starting a new upgrade cycle for Sybase's database products.

SAP will probably reveal expectations for substantial revenue synergies, which may well exceed the EUR500m mark, shortly after closing the deal in Q3-10E. In the long run, we believe it will be able to realise almost twice this amount. The tables below show a scenario for the Sybase takeover's returns:

SYBASE TAKEOVER ROI: REQUIRED PRE-TAX SYNERGIES

RoCE, %	Cap. Empl., EURm	EVA, EURm	Required operating profit, EURm	Sybase operating profit 2011E, USDm, adj.	Sybase operating profit 2011E, EURm	Required pre-tax synergies, EURm	Synergies in % of 2011E Sybase oper. income	Synergies in % of 2011E SAP oper income
8.1%	4240	0	343	383	307	**37**	12%	1%
10.0%	4240	81	424	383	307	**117**	38%	3%
12.0%	4240	166	509	383	307	**202**	66%	5%
15.0%	4240	293	636	383	307	**329**	107%	8%
20.0%	4240	505	848	383	307	**541**	176%	13%
25.0%	4240	717	1060	383	307	**753**	246%	17%

Note: Sybase pro-forma operating profit adjusted for stock option expenses.

Source: CA Cheuvreux estimates

SYBASE TAKEOVER: SCENARIO FOR COST AND REVENUE SYNERGIES

Scenario		Synergies	Increm. sales from revenue syneries, EURm	Rev. synergies as a % of Sybase 2012E licence rev.	Rev. synergies as a % of SAP 2012E Software rev.	Assumed Oper. Margin, %	Operating profit contrib., EURm
EVA neutral	**A**	Cost synergies (low)					10
RoCE=WACC=8.1%		Revenue synergies					
		1) Addtl SAP licenses sold (exist. clients), 400x65seats	75			35%	26.3
		2) Customers added (0), 0 seats	0			35%	0.0
		3) Commercialisation of in-memory/database sales	0			35%	0.0
		Total revenue synergies	**75**	20%	2%	35%	26.3
		Total synergies falling through to oper income					**37**
EVA slightly positive	**B**	Cost synergies (medium)					13
RoCE 10%>WACC 8.1%		Revenue synergies					
		1) Addtl SAP licenses sold (exist. clients), 600x80seats	120			35%	42.0
Our base for 2011E		2) Customers added (500), 100 seats	125			35%	43.8
		3) Commercialisation of in-memory/database sales	50			35%	17.5
		Total revenue synergies	**295**	77%	8%	35%	103.3
		Total synergies falling through to oper income					**117**
EVA positive	**C**	Cost synergies (high)					16
RoCE 15%>WACC 8.1%		Revenue synergies					
		1) Addtl SAP licenses sold (exist. clients), 1500x110seats	420			35%	147.0
Possible from 2012E		2) Customers added (1000), 150 seats	375			35%	131.3
		3) Commercialisation of in-memory/database sales	100			35%	35.0
		Total revenue synergies	**895**	235%	26%	35%	313.3
		Total synergies falling through to oper income					**329**
EVA VERY positive	**D**	Cost synergies (very high)					22
RoCE 25%>>WACC 8.1%		Revenue synergies					
		1) Addtl SAP licenses sold (exist. clients), 2500x200seats	1250			35%	437.5
"Blue sky" scenario		2) Customers added (1700), 150 seats	638			35%	223.3
earliest possible from 2014E		3) Commercialisation of in-memory/database sales	200			35%	70.0
		Total revenue synergies	**2088**	547%	60%	35%	730.8
		Total synergies falling through to oper income					**753**

Source: CA Cheuvreux estimates

Sybase likely to easily exceed its cost of capital, with the deal's RoCE break-even rate at roughly EUR400m in revenue synergies

On this basis, with EUR0.9bn in Sybase-related revenue synergies, SAP's return on investment would be 15% before taxes. This would exceed its weighted cost of capital, which we have estimated at 8.1%. Hence, the transaction would be significantly accretive.

With SAP's own stand-alone (pro-forma operating) RoCE projected at 10.7% for 2011E (based on the current EV less Sybase of EUR40.7bn), the hurdle rate to make the transaction 'RoCE-accretive' would be the realisation of a minimum of EUR139m in pre-tax synergies, which equates to roughly EUR400m in required revenue synergies (assuming an incremental operating profit margin of 35%).

Thus, the deal metrics appear far more reasonable than at first glance, with the acquisition very likely to generate value and become return-enhancing after some two to three years.

■ Risk of the Sybase transaction: limited

Limited risk due to previous collaboration and the decision to operate Sybase independently

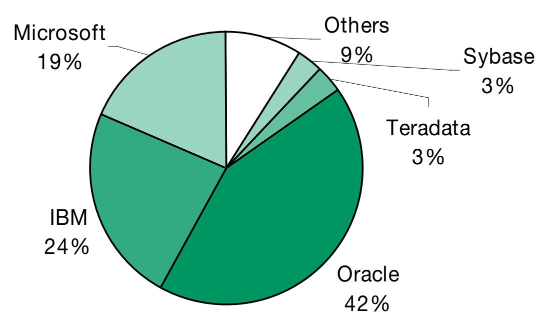
We regard the risk of the Sybase transaction as limited, for the following reasons:

- Prior to the transaction, Sybase is already an established partner of SAP.
- Sybase has been an industry-leading, financially very healthy and profitable company, with margins ahead of those of SAP.
- The front-end of the Sybase organisation, including its go-to-market and its open ecosystem for partners (which also include IBM, Microsoft, Oracle), is to remain in place and will be run independently, with Sybase CEO John Chen to join SAP's Executive Board.

As a consequence the main risks come from the following:

- Sybase holds only a tiny 3.0% market share in database software, a market dominated by Oracle (42% world market share), IBM (24%), and Microsoft (19%).

DATABASE SOFTWARE: WORLD MARKET SHARES 2009 (TOTAL: USD21.2BN)



Source: Gartner

- Sybase's messaging business (18% of total revenues) may face material price erosion from mobile telecommunications operators.
- Most importantly, the USD5.8bn price tag appears expensive, in particular with SAP's predominant target being Sybase's mobile business, which represents only USD159m in 2010E sales and thus 13% of total Sybase revenues. Thus, critics may argue that SAP has "bought the entire cake to get the icing".

■ War of stacks intensifying: SAP moving into competitive territory

With the Sybase transaction SAP is set to enter the database software sector …

Against the background of the increasingly mature global IT industry and insufficient growth opportunities in recent years, numerous competitors – led by the US-based industry heavyweights Cisco Systems, Dell, Hewlett-Packard, IBM, Microsoft, and Oracle - have stretched out for each other's home turf. Thus, rapid consolidation is under way within the IT industry, with many observers predicting further acceleration going forward, not least powered by the cash piles hoarded by the strong contenders. The target behind the rush is to capture the maximum share of customers' IT spending by providing the entire stack/as much of the stack as possible from one hand (one-stop shopping). The stack is defined as the computer hardware (servers, etc.), data storage, enterprise software (operating systems, middleware, applications software, database software, Business Process Management, portals, etc.) and IT services.

FINANCIAL POSITION OF TECH HEAVYWEIGHTS (AS OF MARCH/APRIL 2010)

USDm	Cash and short-term investments	Net cash	Gearing, %
Cisco Systems	39106	21151	-48.2%
Google	26514	25936	-67.7%
Hewlett-Packard	14170	-6902	15.8%
IBM	13977	-31259	141.1%
Microsoft	39666	30786	-67.4%
Oracle	18469	1919	-6.2%

Note: SAP's current market capitalization equals USD57bn (EUR/USD: 1.27)

Source: Company data

… and hence moves into the home turf of Oracle, IBM, and Microsoft …

SAP has so far not participated in the 'war of stacks' but has remained concentrated on its 'best-of-breed' approach, dominating the enterprise applications software part of the stack. With the acquisition of Sybase, it will move into more direct competition with IBM, Microsoft, Oracle, etc., mainly by entering 'their' database territory. While we doubt SAP has any plans to get fully involved in the 'war of stacks', the database segment appears to be an adjunct market (with identical customers), where SAP has developed promising proprietary technology (in-memory). Sybase is poised to facilitate the commercialisation of SAP's in-memory technology, opening up a new market and hence an opportunity for SAP to capture incremental business. Assuming SAP's market share gains in the database sector will remain very limited, we doubt they will have substantial negative repercussions for SAP in relation to partners and peers. Consequently, they should not be much of a burden with respect to existing collaboration with Cisco, EMC, IBM, VMWare etc. Sybase's globally leading mobile middleware should be seen as an extension of SAP's existing enterprise applications and infrastructure middleware business, adding mobile access as a new feature. With IBM, Microsoft and Oracle still not strongly represented in 'mobile access to enterprise applications software', SAP will assume the undisputed leadership in that field.

… which themselves are pursuing a one-stop shop strategy, providing hardware, software, and services

Rumours of SAP itself being taken over as a result of the 'war of stacks' (i.e. competitors striving to capture SAP's leading position in enterprise applications software) surface from time to time. However, we regard such rumours as unlikely to materialise anytime soon. Potential acquirers are very limited, given the sheer size of a potential transaction – worth a minimum of EUR52bn/USD66bn (ass.: 15% premium) – as well as antitrust considerations. Hence, from our perspective only Google, IBM and Microsoft (the latter of whom was in talks with SAP in 2004, but apparently stopped negotiations for antitrust concerns) would qualify as potential bidders, aside from possible financial investors.

V – SAP becoming a growth business, again

A major factor driving our investment case for SAP is the company's return to growth, which should change its status from that of an 'IT utility' to a 'secure growth' investment. The key contributors to growth should be 1) SAP's rising share in customers' IT budgets, 2) new customer gains, mainly in the emerging world and underpenetrated verticals, 3) its entry into the so far untapped lower midmarket, 4) the expansion of its on-demand offering, 5) the Sybase acquisition, and 6) its roadmap to increased Support pricing. Against this background, SAP looks set to expand its revenues at a 2-digit rate in both 2011E and 2012E.

■ Increased share of customers' IT budgets

While customers tend to reduce numbers of suppliers, focussing on large partners, …

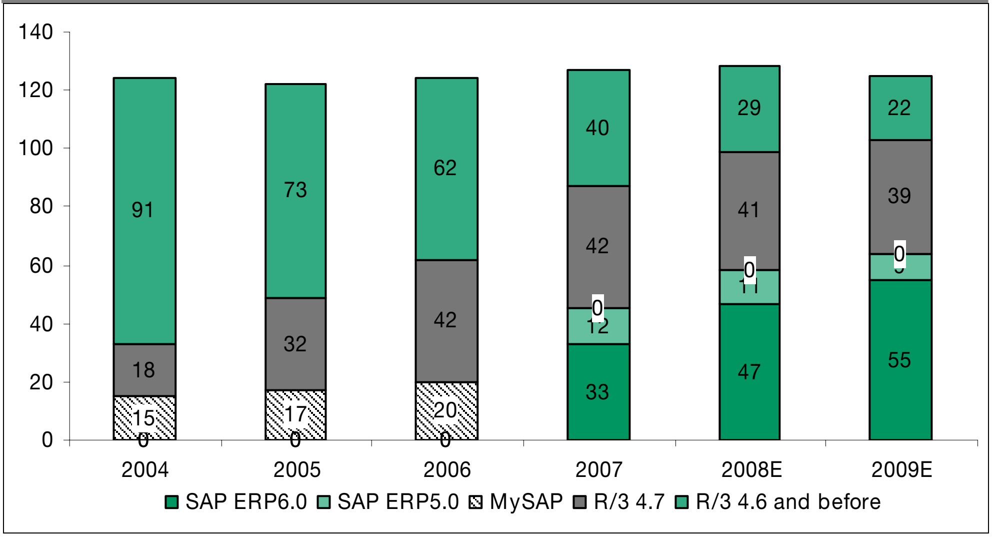
An important factor in SAP's ambition for growth is its aim to boost its share of customers' wallets. This should be supported by the continued trend amongst customers to reduce their number of suppliers and partners, hence focussing on market leaders.

… SAP will lift its share through up-selling, cross-selling, and offering new software features

With SAP's Business Suite 7 more flexible and more easily enhanced, enlarged, and upgraded through composite applications via web services, customers' new business processes can be covered more easily. The company provides continuous innovation without the need for complicated upgrades. Instead, SAP's Enhancement Packages offer customers new, additional and better-designed features on a regular basis, giving the customer the freedom to choose from the menu and guaranteeing the implementation without disruption or downtime. This lowers the total cost of ownership while optimising the risk/reward profile. Hence, SAP should manage to increase its share of customers' IT budgets through:

- Continued up-selling, i.e. the migration path from R/3 via SAP ERP to Business Suite 7, triggering revenues from landscape consolidation (additional sites and users), additional solutions and additional Business Suite applications (CRM, SCM, SRM, …). To date, about *half* of the nearly *40,000* SAP ERP systems productive in the field have been upgraded to SAP ERP6.0, leaving plenty of customers to upgrade still.
- Cross-selling to the existing customer base, i.e. convincing clients to also buy other elements of the SAP Business Suite (SCM, CRM, SRM, …) and to buy composite applications/enhancement packages. For the customer, the predominant advantages are cost reductions via software consolidation and service enablement (which allows the integration of existing third-party and proprietary software applications – though SAP prefers to replace such software fully with own solutions, underpinning its preferred one-stop-shop approach, which emphasises the optimised interfaces and interaction of individual software elements).
- Increased selling of business user solutions as additional integrated services to enrich the platform as well as stand-alone solutions.
- The addition of Sybase mobile middleware, which facilitates the mobilisation of SAP's Business Suite and Business Objects analytics software.

SAP ERP: MIGRATION STATUS (% OF CLIENTS USING RELEASE)



Note: total exceeds 100% as many clients have still two or more different releases in use

Source: Raad; CA Cheuvreux estimates

■ Win new customers

SAP's hybrid consumption approach aims to make the entire portfolio also available on-demand over time

To expand its 100,000+ strong customer base further (including Sybase), SAP provides a wide mix of contract terms and maximum flexibility with respect to the delivery model (on-premise, on-demand). While SAP's currently available on-demand solutions only include SAP CRM, SAP e-Sourcing, SAP Contract Lifecycle Management, and SAP Carbon Impact, as well as SAP Business Objects BO On Demand, the company plans to make large parts of the remainder of its portfolio available on-demand within the coming quarters/years.

Depending on the customer's size, wants and needs, SAP also offers flexible licence agreements (FLAs: flexible access to SAP solutions based on the agreed value of software and defined payments for a contract term) and global enterprise agreements (GEAs: strategic multi-year relationship with the most important customers – currently 13 in place, with 450 customers qualifying in principle) on top of the traditional perpetual licence plus maintenance model.

SAP aims to gain new customers mainly in

- the **midmarket segment**, not least through the launch of Business ByDesign (BBD),
- the **emerging markets** from a geographical perspective (so far contributing less than 10% to total SSRS),
- its **focus industries** banking, retail, utilities and public/government sectors (including healthcare),

where it is still underrepresented. The group's traction was underlined recently when it added Deutsche Bank as a core banking customer. It will renew its IT infrastructure by replacing multiple legacy systems with SAP standard software over a number of years.

In addition, SAP will increasingly provide solutions for the healthcare sector. Here digitisation is probably the only way for the ailing healthcare systems to cope with soaring expenses, as well as for the smart grid, where a wave of investment can be expected in coming years and decades, to make more efficient use of energy and thus limit the exploitation of resources (e.g. with a new software platform to improve the control of power consumption).

Sybase should allow SAP to sell additional software licences to its clients

■ Sybase acquisition to leverage existing customer base

While the acquisition of Sybase will add roughly EUR1bn in annual revenues, the main attraction of the acquisition lies in

- Potential sales of additional Business Suite licences to existing customers (increasing the number of seats) due to the mobile accessibility and usability it will provide for SAP software, not least bearing in mind the rising proportion of mobile workers, which is expected to increase from 29% (2008; 920m workers) to 34.5% (2013E; 1.2bn workers) within five years, according to IDC.
- The addition of some 5,000 new customers (assuming a 50% overlap between SAP and Sybase).
- The accelerated commercialisation of SAP's innovative in-memory database technology, probably initially by kick-starting an upgrade cycle at Sybase's installed client base.

BBD volume ready from July 2010

■ SAP Business ByDesign to be rolled out commercially

From the end of July 2010, after the release of feature pack 2.5, the long-awaited SAP Business ByDesign (BBD) will be volume-ready and will be commercially deployed in six countries initially (China, France, Germany, India, UK, US). BBD, which represents SAP's full-fledged entry into the on-demand software distribution market (with software delivered as a subscription service via the internet, paid by use), is a unique, revolutionary, easy-to-implement cloud suite, initially hosted by SAP (later by outsourcing partners). The functionality of BBD is said to be well sufficient for small enterprises (100-500 staff; 25 users minimum for the BBD suite and 10 users minimum for starter pack modules), with some reserves for customisation remaining if needed, and a steady increase in functionality via feature packs (2 p.a.). The new release with additional BI features makes BBD full multi-tenancy-capable and, in combination with other adjustments, reduces the cost of operations by 90% relative to earlier versions. Thus, SAP will be able to deploy BBD commercially with no start-up losses, even at customers with only a few users.

Given the 90% reduction in costs of operation, SAP should not incur any meaningful start-up losses

Although the marketing and selling strategy requires continued fine-tuning, we expect BBD, priced at USD149/month/seat, to be successfully received in the marketplace. Over time, SAP's financial muscle and R&D power should guarantee success. This will obviously require fast, easy and smooth implementation, including the integration of third-party solutions (special development tools will be available for partners to develop industry-specific add-ons). BBD will be key for SAP to win new clients, to compete effectively with smaller, start-up competitors (Netsuite, Salesforce.com, Lawson, etc.) and to master the challenges of cloud computing. As a state-of-the-art complement to its traditional line-up, we are convinced BBD will not cannibalise SAP's existing All-in-One and Business One sales to any major extent, nor will it hurt existing distribution partners. In the table below we outline our product launch and adoption trend scenario. Though this may require significant adjustment over time, we think it is important that a) margin dilution from BBD is set to remain very modest in the years ahead (no additional extra marketing budget; cost of operations down enough that the product can be run with no start-up losses) and b) a successful roll-out may give SAP some EUR2-3 additional value (see DCF model below).

We are convinced BBD will succeed in the on-demand marketplace, thus …

With the BBD cost base cut by 90%, SAP will roll out the long-awaited product with no material start-up losses

BBD will open up a new, so far untapped market segment for SAP that is estimated to be worth some USD10bn in annual sales. While initial sales of BBD will be fairly negligible, the long-term potential is considerable. SAP’s BBD provides a state-of-the-art software that is complementary to its traditional line-up. In light of the rosy prospects for on-demand software, it is no surprise that SAP's management is committed to also take the lead in on-demand enterprise applications software. The company's progress will be best monitored by following the key metric of 'number of users added'.

SAP BUSINESS BY DESIGN: A 5-YEAR SCENARIO

EURm	*2010E*	*2011E*	*% y-o-y*	*2012E*	*% y-o-y*	*2013E*	*% y-o-y*	*2014E*	*% y-o-y*
# of customers (end of period)	350	1400	300.0%	4000	185.7%	7900	97.5%	9800	24.1%
Average # of customers	250	1200	380.0%	3600	200.0%	7450	106.9%	9650	29.5%
Average seats/customer (year-end)	24	27	12.5%	34	25.9%	40	17.6%	44	10.0%
Price/seat p.a., EUR	1550	1493.75	-3.6%	1465	-1.9%	1450	-1.0%	1450	0.0%
Revenues	***3.6***	***29.7***	***720.3%***	***119.0***	***300.6%***	***331.7***	***178.7%***	***556.2***	***67.7%***
%-chge y-o-y		720.3%		300.6%		178.7%		67.7%	
OPEX	4.3	29	574.4%	109.5	277.6%	282.4	157.9%	447.8	58.6%
EBIT	***-0.7***	***0.7***	***-204.8%***	***9.5***	***1237.6%***	***49.3***	***418.2%***	***108.4***	***120.1%***
EBIT-margin, %	-18.7%	2.4%	-28.4%	8.0%	411.8%	14.9%	234.1%	19.5%	31.2%

Source: CA Cheuvreux estimates

… adding EUR2-3/SAP share in incremental value based on our DCF scenario model

SAP BUSINESS BY DESIGN: A DCF MODEL BASED ON OUR 5-YEAR SCENARIO

EURm	*2010E*	*2011E*	*2012E*	*2013E*	*2014E*	*2015E*
Sales	3.6	29.7	119.0	331.7	556.2	973.4
EBIT	-1	1	10	49	108	285
NOPAT	0	1	7	35	77	202
Depreciation & Amortization	2	4	5	6	7	8
Cash Flow	***2***	***5***	***12***	***41***	***84***	***210***
-Capital Expenditure	-5	-2	-2	-3	-4	-4
-Working Capital Requirements & Other	0	-3	-9	-21	-22	-42
Free Cash Flow	***-3***	***0***	***1***	***17***	***58***	***165***
Cumulative Present Value of FCF	-3	-4	-3	10	51	160
PV of Terminal Value						2959
Cumulative Present PV (FCF+ Terminal Value)						***3119***
Value per SAP share / EUR						***2.6***

Source: CA Cheuvreux estimates

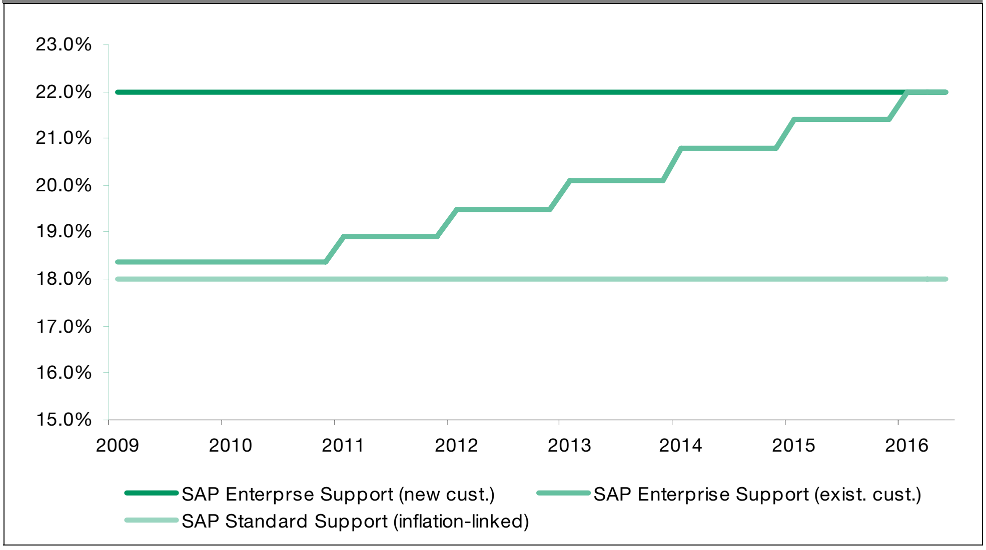
■ Roadmap for SAP Support pricing

SAP's roadmap to lift Support prices offers good visibility and higher earnings from maintenance

With the dust related to SAP's badly communicated increase in support prices having settled, the company has begun to reap the benefits of this move. More than 90% of the existing customers left to choose between the low-cost Standard Support and the higher value-added Enterprise Support have opted for the more expensive contract. SAP's roadmap foresees a further step-by-step rise in its Enterprise Support rates (following a year of economy-induced stability in 2010) from currently 18.36% of the licence price to 22.00% (the rate of major competitors such as Oracle and Microsoft) by 2016. Hence, the company has unparalleled visibility with regards to fully margin-effective price increases for years to come (note: every 1%-point maintenance price increase equates to about EUR60m additional operating income p.a.).

The meanwhile globally harmonised Support model leaves customers the choice between Standard Support, Enterprise Support, and MaxAttention (the highest level) support, with the opportunity to switch between the three schemes once a year. Customers' freedom to choose has been the key catalyst to remove the initial acceptance problems, reflected in the significant opposition from SAP User Groups (in particular DSAG – Deutsche SAP Anwender Gruppe), and to regain customers' trust following the mistakes made when introducing Enterprise Support in 2008.

SAP: SUPPORT AND MAINTENANCE PRICE ROADMAP (% OF LICENCE PRICE)



Source: SAP

VI— Challenges remain

We are convinced the re-energised SAP has begun to accelerate again. Notwithstanding, it faces a number of risk factors in the short and long run. The most important threats stem from the increasing saturation of its existing large customer base, the efforts of competitors to capture a larger share of enterprise IT spending, the typically lower returns of software being consumed on-demand, the company's perceived weakness in the middleware segment, price erosion from third-party support providers, as well as litigation involving Oracle and Versata.

■ Core business getting closer to saturation

Increasing maturity of core enterprise apps software business limiting growth

SAP's going concern business is not without challenges. The predominant challenge is probably the increasing maturity of its core enterprise applications software business, in particular the fact that the penetration of ERP (enterprise resource planning) is approaching the point of saturation.

Although there is a lack of reliable data, ERP systems have reached a high rate of adoption in recent decades, with the main growth opportunities left to small midmarket enterprises as well as corporations located in the emerging world (in particular in the Asia-Pacific region). Thus, SAP is unlikely to return to the organic growth rates of the 1990s.

■ Competition offering much broader scope (war of stacks)

With competition branching out and SAP concentrating on its home turf, the company may be increasingly sidelined

A long-term challenge for SAP comes from the strategy of a small number of very powerful US competitors, offering a much broader portfolio than SAP, vying to capture a maximum share of the IT stack. While it is too early to determine whether their plan will lead to success, this strategy is increasingly sidelining SAP.

SAP has tried to cover the indirect channel through the development of partnerships, e.g. with Atos Origin, CapGemini, IBM, and Wipro (certified system integrator partnerships) and Cognizant as a global IT services partner. On the product side, it continues to pursue a best-of-breed approach, assuming the pace of innovation of specialised vendors exceeds that of integrated peers.

In addition, relying on open interfaces and maximum compatibility, SAP is partnering on a case by case basis. For instance, with the SAP NetWeaver Business Warehouse component for Teradata's database it provides customers' with an integrated end-to-end offering, giving them accelerated, access to detailed enterprise data for analytics.

■ On-demand delivery model may undermine profitability

On-demand consumption of software via the net lowers the barriers to entry and is likely to decrease the returns in the software industry

The on-demand delivery model, requested by customers to reduce investment and IT costs, represents a challenge to the traditional established licence/maintenance model of the software industry. On-demand, which requires a higher degree of standardisation and thus has the potential for users to reduce their level of customisation, provides increased flexibility, up to 30% lower costs, and reduced barriers to entry, thus enabling the rise of new competition.

COMPARISON OF CRM SOFTWARE COSTS: SAAS VS. ON-PREMISE (200 SEATS)

in '000 USD (p.a.)	Software on premise	Software as a Service
Implementation/Deployment	192	72
Operation	945	34
SW-licence, subscription, maintenance	480	1500
Other (unused licence, extraord. Down time)	400	0
Total costs	**2298**	**1640**
Cost saving		**29%**

Source: McKinsey

SWOT ANALYSIS OF ON-DEMAND/SAAS-MODEL (REL. TO PERPETUAL LICENCE MODEL)

Strengths	*Weaknesses*
■ No capital required for own hard-/software ■ Provider's economies-of-scale shared with customer ■ Customer requires less IT staff capacity ■ Less complexity as only one version/release to be run ■ Lower R&D expenses	■ Dependence on service provider ■ Integration into existing systems required ■ Customer has no possibility to control ■ Limited opportunities to adjust to client needs

Opportunities	*Threats*
■ Capital freed up ■ Concentration on core competences ■ Improved planning of IT expenses ■ Increased flexibility in changing apps. ■ Selection of apps. based on functionality rather than compatibility ■ Much easier switch of service provider	■ Data exchange with third-party provider ■ Risk of downtime ■ Risk of system failure ■ Financial profile of provider ■ Contract lifetime possibly w/out adjustment/exit clause ■ Customer support lacks in-house know-how

On the other hand, on-demand moves software vendors closer to the customer and the diversity of services (of various providers) may also increase the complexity of the overall IT infrastructure. SAP is addressing the on-demand challenge through a hybrid approach, leaving customers the choice of how to consume. However, it is marketing its portfolio as a one-stop shop with guaranteed data consistency - a unique proposition.

Due to the low incremental costs of software, economies-of-scale are crucial for profitability. Thus, the maximisation of market share/number of customers and users represents the key success factor. That said, it goes without saying that new market entrants, not required to defend high profit margins from their incumbent business and satisfied with lower returns, will go for volume, resulting in price erosion for the entire industry.

Cloud computing to transform the IT landscape

New industry dynamics on account of cloud computing: no initial investment, only pay for what is used

Cloud Computing is the term applied to flexible IT-related services (e.g. computing power, storage, software applications) combined with service delivery through the internet. It has begun to transform the IT industry value chain, resulting in new industry dynamics due to lower barriers to entry for newcomers as a result of the shift from huge initial capital investments to pay-what-you-use business models.

Cloud computing constitutes a technical revolution across all platforms, requiring software vendors to make their offering cloud-capable. Customers use IT services depending on their demand and pay only for the services they have consumed. For customers to benefit from cloud computing access to the IT infrastructure and software, via the internet, they need no more than a PC and a broadband connection.

Hence, cloud computing offers customers flexibility in their use of IT without any major upfront investment, thus turning customers' fixed costs into variable costs. However, for the time being security aspects mean most large customers keep specific data on in-house IT infrastructure, as opposed to using cloud services. Such customers typically run critical processes in a private cloud and only commodity processes in the public cloud.

SAP has recognised the need to play a prominent role in the cloud, not least as its penetration is expected to surge from 4% (2009E) to 40% (2012E) within three years. However, with the cloud being a dynamic mechanism, and trends such as mobilisation able to shift emphasis and challenge the current stack, SAP intends to continue to rely on partnerships (e.g. with Cisco Systems, EMC, Intel, RIM, VMWare, etc.).

Middleware remains a weak spot at SAP

SAP's weak spot in middleware unresolved; we believe it will try to fix the issue at home, with no acquisition soon

Another challenge SAP faces is the middleware segment, which the company continues to address with its SAP NetWeaver technology platform. NetWeaver integrates SAP with SAP applications as well as SAP with non-SAP applications. However, the latter has been and still is regarded by users and industry analysts as the weak spot. Hence, NetWeaver's adoption rate is far below potential, leaving room for improvement at SAP. In addition, SAP NetWeaver enables partners to develop products and services that fit into customers' IT environments. However, for the time being only some 2,000 applications are based on SAP NetWeaver.

Thus, middleware has long been seen as a field in which SAP requires strengthening. As middleware is unlikely to offer a source of top-line growth through the leveraging of its applications business, the segment has not been given top priority at SAP. As a result, the company has so far refrained from realising the opportunity to acquire either independent US middleware pure-play Tibco Software or German middleware vendor Software AG. From our perspective, SAP is more likely to try to optimise NetWeaver (e.g. by taking advantage of Sybase's middleware expertise) to overcome its weaknesses, and possibly pursue closer collaboration with Software AG (maybe ultimately underpinned by capital ties, but not by a full takeover).

Risk from third-party support providers

Third-party Support providers are a small but dangerous risk to software vendors

With the most profitable part of SAP's and other software vendors' business being support (maintenance), the segment has long attracted third-party service providers trying to get a slice of the cake. However, very few third-party providers have so far made meaningful inroads into the recurring Support business, despite offering rates discounted by some 50%. US-based privately-held Rimini Street (2009: 300 clients, order entry estimated at USD150m) is probably the most prominent.

While Rimini Street has often been named a credible alternative, customers have usually only used it as a threat to renegotiate prices and realise discounts (e.g. Siemens). Customers' stickiness in relation to software vendors can be explained by them being the

only ones to provide regular updates (e.g. in case of regulatory change), new releases, new features, and further innovation. Consequently, third-party support providers are mainly seen as competition in the software filed, where the original vendor has stopped development entirely (e.g. SAP R/3, for which Rimini Street launched support services in spring 2009).

For the time being, third-party support providers represent no more than a tiny but eventually potentially dangerous threat to SAP and its peers.

Some legal issues remain

Only the Oracle and Versata cases appear material, but neither is likely to cause SAP any liquidity issue

At the end of 2009 litigation-related provisions at SAP amounted to EUR123m. That amount may well cover its litigation-related legal expenses and possibly expenses related to a number of small cases.

However, from our perspective it will not suffice – by far – to cover the two major litigations: the Oracle-TomorrowNow copyright infringement case and the Versata unfair competition case, should they be lost. Nonetheless, even the loss of both cases is unlikely to cause financially healthy SAP any headache or liquidity issue.

SAP: LITIGATIONS

	Date of litigation	Location of litigation	Allegation	Status
1. Intellectual property litigations				
Sky Technologies	Oct-06	USA	Infringement of 5 patents	Trial scheduled for Oct-10
Oracle	Mar-07	USA	TomorrowNow/SAP America copyright infringement	Trial re-scheduled for Nov-10
elcommerce	Aug-07	USA	Infringement of 1+ patents	Trial not scheduled yet
InfoMentis	May-08	USA	Copyright infringement and unfair competition	Trial not scheduled yet
TecSec	Feb-10	USA	Infringement of 5 patents	Trial not scheduled yet
2. Other litigations				
Systems Applications Con:	Apr-08	RSA	SAP causing co. to breach distribution agreement	Trial not scheduled yet
Versata	Jun-10	Europe (EU commission)	Unfair competition	Trial not scheduled yet

Source: SAP; CA Cheuvreux

That said, we fear it is impossible to put any 'informed guess' or even estimate behind these cases, and we have thus refrained from considering the financial risk in our forward projections. We also doubt these cases will have a very material impact on SAP's share price as they are well known to the investment community.

VII— New earnings model including Sybase

In trying to gauge the impact of the Sybase acquisition on SAP, we have reworked our earnings forecast model. Using a multitude of assumptions, which can of course be disputed, we come to a favourable result: for all yardsticks, EPS, RoS, and RoCE, the transaction should be accretive from 2012E. When considering PPA/amortisation adjustments, the deal might already lift RoS and RoCE for 2011E. Thus, we regard the acquisition of Sybase as a promising move, with the considered synergies and benefits boosting our SAP price target from EUR41.5 to EUR44.0.

■ Pro-forma consolidation of Sybase: assumptions

SAP earnings forecast model reworked

With the Sybase acquisition expected to be closed soon (late-July/August 2010), we have reworked our SAP earnings forecast model and have for the first time provided pro-forma projections for SAP including Sybase. In this context, one should bear in mind the following:

- ■ We have selected 1 August 2010 as the starting date for the consolidation of Sybase.
- ■ We have taken the stance that SAP will also use its own accounting standards for Sybase, e.g. it will treat stock-option-related expenses as regular expenses (with no adjustment at the pro-forma level).
- ■ The pro forma model does not (yet) include any PPA and amortisation of intangibles effects, which will likely result from the Sybase takeover.

Making a number of assumptions …

- ■ We have incorporated financing costs for the EUR4bn transaction of EUR200m p.a., using a 5% interest rate (though the 'true' implied cost of capital, estimated at 8.3% pre- tax WACC, is higher, given the higher cost of equity relative to debt and the 31% equity-to-69% debt financing ratio of the transaction).
- ■ We have refrained from incorporating any significant restructuring expenses as Sybase will be maintained and will continue to be run as a separate organisation ('SAP Sybase, a wholly owned SAP company') and restructuring will probably be limited to procurement and some back-office functions.
- ■ We have chosen to factor in relatively cautious assumptions - in other words, not considering any cost and revenue synergies for the remainder of 2010E.

… which we regard as realistic and far from ambitious

- ■ We have opted for our SAP/Sybase scenario B (see table on page 19) for 2011E, i.e. modelling in EUR13m cost synergies and EUR295m revenue synergies for next year.
- ■ We have used the more demanding scenario C for 2012E, reflecting EUR16m in cost synergies and EUR895m in revenue synergies.

■ Sybase accretive on all metrics, despite steep price tag

Based on our scenario, the Sybase deal will be accretive for SAP on all metrics

Despite the steep price tag, we expect the acquisition to be accretive for SAP on all metrics, from EPS (immediately) to return-on-sales (likely from 2011E) and RoCE (likely from 2012E).

1) EPS changes: as is evident from our earnings forecast model shown below, we believe the Sybase takeover will boost SAP's pro-forma (non-IFRS) EPS by EUR0.04/1.8% to EUR2.27 for 2010E, by EUR0.14/5.4% to EUR2.72 for 2011E, and by EUR0.27/9.4% to EUR3.10 for 2012E, thus besting consensus by far

SAP P&L PROJECTIONS: CA CHEUVREUX VS. CONSENSUS

EURm	Q2-10E	2010E	2011E	2012E
Group revenues (Cheuvreux)	**2810**	**12131**	**14183**	**15901**
Group revenues (Consensus)	2710	11408	12269	13294
SSRS revs. y-o-y, cc (Cheuvreux)	**9.3%**	**10.1%**	**18.3%**	**13.4%**
SSRS revs. y-o-y, cc (Cheuvreux)	8.4%	8.5%	na	na
SSRS revs. y-o-y, cc (SAP guidance)	na	+4-8%	na	na
Pro-forma EBIT margin at cc (Cheuvreux)	**29.9%**	**32.4%**	**33.2%**	**33.8%**
Pro-forma EBIT margin at cc (Consensus)	28.9%	31.1%	32.2%	33.4%
Pro-forma EBIT margin at cc (SAP guidance)	na	30-31%	na	na
Basic EPS, IFRS (EUR) (Cheuvreux)	**0.47**	**2.14**	**2.59**	**3.00**
Basic EPS, IFRS (EUR) (Consensus)	0.43	1.96	2.23	2.50
Basic pro-forma EPS, non-IFRS (EUR) (Cheuvreux)	**0.50**	**2.27**	**2.72**	**3.10**
Basic pro-forma EPS, Cheuvreux vs Consensus	0.47	2.11	2.38	2.68
Basic pro-forma EPS, non-IFRS (EUR) (Consensus)	**6.4%**	**7.6%**	**14.3%**	**15.7%**

Source: Vara Research; CA Cheuvreux estimates

Our projected EPS estimates would be up 5% for 2011E and 9% for 2012E

2) Return-on-sales: although our model (see below) suggests marginal dilution of SAP's pro-forma (non-IFRS) return-on-sales (to 33.2% from 33.6% for 2011E and from 34.0% to 33.8% for 2012E), it actually is likely to be lifted when also considering the Sybase-related PPA/amortisation expenses. Assuming a PPA/amortisation rate of EUR200m p.a., which is similar to that of Business Objects (acquired at EUR4.2bn net of cash vs. Sybase's estimated purchasing price of EUR4.2bn net of cash), our pro-forma (non-IFRS) operating return-on-sales estimate for SAP would rise from 33.2% to 34.6% for 2011E and from 33.8% to 35.0% for 2012E.

Both, RoS and RoCE are likely to increase due to the takeover, no later than 2012E

3) RoCE: defining RoCE as 'pro-forma (non-IFRS) operating income'/capital employed (with Capital employed being the current EV of EUR42.7bn for SAP stand-alone and the purchasing price-derived EV of EUR4.2bn for Sybase), we expect the RoCE for Sybase, including all anticipated synergies, to exceed that of SAP. For 2011E, we project a RoCE for SAP stand-alone at 10.1%, while Sybase comes in at 9.2% pre PPA/amortisation and at 13.9% post PPA/amortisation adjustment. For 2012E, we estimate SAP's stand-alone RoCE at 11.1%, with Sybase reaching 15.0% pre PPA/amortisation and 19.7% post PPA/amortisation adjustments. Hence, no later than 2012E, the Sybase acquisition should be RoCE-accretive for SAP.

The Sybase-related synergies are expected to be worth at least EUR2.2/SAP share …

Finally, as an additional exercise, we have capitalised the projected synergies resulting from the Sybase takeover. Applying a WACC of 8.1% and a 2.5% terminal growth rate, in line with that used for SAP, the discounted value of all synergies (but not considering the 'regular' earnings contribution from Sybase) comes down to EUR2.2/SAP share (see table below).

SAP/SYBASE: DCF OF PROJECTED SYNERGIES

EURm	2011E	2012E	2013E	2014E	2015E
Revenue synergies SAP/Sybase	295	895	1350	1788	2088
EBIT from synergies (cost+rev. synergies)	117	329	486	635	731
NOPAT	82	230	340	444	512
Depreciation & Amortization					
Cash Flow	**82**	**230**	**340**	**444**	**512**
-Working Capital Requirements & Others	-47	-143	-216	-286	-334
Free Cash Flow	**35**	**87**	**124**	**158**	**177**
Discount factor (WACC=8.1%)	0.93	0.86	0.79	0.73	0.68
Present Value of FCF	32	75	98	116	120
Cumulative Present Value of FCF	**32**	**107**	**205**	**321**	**442**
Terminal Value (g=2.5%)					3189
PV of Terminal Value					2164
Cumulative Present PV (FCF+ Terminal Value)					**2605**
# of outstanding shares (31/12/2010E), fully diluted					1187
Value per SAP share / EUR					**2.2**

Source: CA Cheuvreux estimates

… pushing up our SAP target price from EUR41.5 to EUR44

With Sybase on a stand-alone basis also slightly accretive, we have reflected the acquisition in our revised share price target, which we have raised from EUR41.5 to EUR44.0.

SAP EARNINGS FORECAST MODEL (I): PRO-FORMA PROJECTIONS INCLUDING SYBASE

(€ millions)	SAP 2010E Q1	SAP 2010E Q2	SAP 2010E Q3	SAP 2010E Q4	SAP 2010E Total	Sybase 2010E Aug-Dec	SAP NEW 2010E Total	Sybase 2011E Q1	SAP NEW 2011E Q1	Sybase 2011E Q2	SAP NEW 2011E Q2	Sybase 2011E Q3	SAP NEW 2011E Q3	Sybase 2011E Q4	SAP NEW 2011E Q4	Sybase 2011E Total	SAP NEW 2011E Total	SAP 2012E Total	Sybase 2012E Total	SAP NEW 2012E Total
	IFRS					EUR		EUR		EUR		EUR		EUR		EUR			EUR	
Software revenue	464	645	620	1,269	2,998	142	**3,140**	84	**599**	86	**786**	85	**750**	108	**1,453**	363	**3,588**	3,440	382	**3,822**
% y-o-y	11.0%	18.8%	18.1%	13.4%	15.1%		20.5%										14.3%	6.7%		6.5%
% q-o-q	-58.5%	39.0%	-3.9%	104.7%																
% of total FY SW rev	15.5%	21.5%	20.7%	42.3%																
Support (Mainter	1,394	1,476	1,513	1,584	5,967	182	**6,150**	117	**1,713**	115	**1,744**	119	**1,779**	128	**1,853**	480	**7,089**	7,200	495	**7,695**
% y-o-y	11.3%	10.4%	13.5%	16.1%	12.9%		16.3%										15.3%	8.9%		8.5%
% q-o-q	2.2%	5.9%	2.5%	4.6%																
Subscriptions an	89	91	100	106	386		**386**	0	**108**		**115**		**121**		**131**		**475**	570		**570**
% y-o-y	25.4%	24.7%	26.6%	29.3%	26.6%		26.6%										23.1%	20.0%		20.0%
% q-o-q	8.5%	2.2%	9.9%	6.0%																
SYBASE revenue synergies								*45*	*45*	*56*	*56*	*80*	*80*	*114*	*114*	*295*	*295*		*895*	*895*
Software and softw	1,947	2,212	2,233	2,959	9,351	324	**9,675**	247	**2,466**	257	**2,701**	284	**2,730**	350	**3,550**	1,138	**11,447**	11,210	1,772	**12,982**
% y-o-y	11.8%	13.3%	15.3%	15.3%	14.1%		18.0%										18.3%	8.7%		13.4%
	-24.1%	13.6%	1.0%	32.5%																
Consulting reven	479	503	492	537	2,011	0	**2,011**	0	**500**	0	**530**	0	**515**	0	**555**	0	**2,100**	2,235	0	**2,235**
% y-o-y	-13.4%	-2.7%	1.7%	3.5%	-3.0%		-3.0%										4.4%	6.4%		6.4%
% q-o-q	-7.7%	5.0%	-2.2%	9.1%																
Training revenue	59	66	63	73	261	0	**261**	0	**69**	0	**74**	0	**70**	0	**81**	0	**294**	310	0	**310**
% y-o-y	-18.1%	-5.7%	5.0%	2.8%	-4.4%		-4.4%										12.6%	5.4%		5.4%
% q-o-q	-16.9%	11.9%	-4.5%	15.9%																
Other Services re	19	19	22	23	83	66	**149**	48	**67**	48	**68**	53	**75**	57	**80**	205	**289**	90	229	**319**
% y-o-y	-20.8%	-17.4%	10.0%	27.8%	-2.4%		75.8%										93.7%	7.1%		10.2%
% q-o-q	5.6%	0.0%	15.8%	4.5%																
Profess. Services a	557	588	577	633	2,355	0	**2,355**	0	**588**	0	**624**	0	**607**	0	**659**	0	**2,478**	2,635	0	**2,635**
% y-o-y	-14.2%	-3.6%	2.3%	4.1%	-3.1%		-3.1%										5.2%	6.3%		6.3%
% q-o-q	-8.4%	5.6%	-1.9%	9.7%																
Other revenue	5	10	6	13	34	0	**34**	0	**9**	0	**14**	0	**10**	0	**19**	0	**52**	55	0	**55**
% y-o-y	-28.6%	-23.1%	-14.3%	-18.8%	-20.9%		-20.9%										52.9%	5.8%		5.8%
% q-o-q	-68.8%	100.0%	-40.0%	116.7%																
Total revenue (IFR	**2,509**	**2,810**	**2,816**	**3,605**	**11,740**	**390**	**12,131**	**295**	**3,111**	**305**	**3,387**	**336**	**3,400**	**407**	**4,285**	**1,343**	**14,183**	**13,900**	**2,001**	**15,901**
% y-o-y	4.7%	9.1%	12.3%	13.0%	10.0%		13.7%											8.3%		12.1%
% q-o-q	-21.3%	12.0%	0.2%	28.0%																
Total non GAAP/IFRS re	2509	2810	2816	3605	11740	390	**12,131**	295	**3,111**	305	**3,387**	336	**3,400**	407	**4,285**	1343	**14,183**	13900	2001	**15,901**

Source: CA Cheuvreux estimates

CA CHEUVREUX
CREDIT AGRICOLE GROUP

www.cheuvreux.com

SAP EARNINGS FORECAST MODEL (II): PRO-FORMA PROJECTIONS INCLUDING SYBASE

			SAP			Sybase	SAP NEW	Sybase	SAP NEW	Sybase	SAP NEW	Sybase	SAP NEW	Sybase	SAP NEW	Sybase	SAP NEW	SAP	Sybase	SAP NEW
			2010E			2010E	2010E	2011E	2011E	2011E	2011E	2011E	2011E	2011E	2011E	2011E	2011E	2012E	2012E	2012E
(€ millions)	Q1	Q2	Q3	Q4	Total	Aug-Dec	Total	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Total	Total	Total	Total	Total
Cost of software ar	-399	-440	-455	-554	-1,848	-103	**-1,951**	-79	**-524**	-80	**-548**	-83	**-573**	-91	**-676**	-333	**-2,321**	-2,130	-347	**-2,477**
as a % of Total revenue	-15.9%	-15.7%	-16.2%	-15.4%	-15.7%													-15.3%		
as a % of Product rever	-20.5%	-19.9%	-20.4%	-18.7%	-19.8%													-19.0%		
% y-o-y	4.7%	10.3%	10.4%	21.2%	12.1%													7.1%		
SYBASE rev. synergy rel. cost (ass. 35% EBIT)								*-29*	*-29*	*-36*	*-36*	*-52*	*-52*	*-74*	*-74*	*-192*	*-192*		*-582*	*-582*
Cost of professiona	-451	-468	-453	-470	-1,842		**-1,842**		**-482**		**-505**		**-482**		**-497**		**-1,966**	-2,130		**-2,130**
as a % of Total revenue	-18.0%	-16.7%	-16.1%	-13.0%	-15.7%													-15.3%		
as a % of Service reven	-81.0%	-79.6%	-78.5%	-74.2%	-78.2%													-80.8%		
% y-o-y	-12.6%	-0.6%	3.9%	7.1%	-1.1%													8.3%		
Research and deve	-393	-390	-395	-430	-1,608	-44	**-1,652**	-30	**-460**	-29	**-439**	-29	**-434**	-32	**-477**	-119	**-1,809**	-1,800	-123	**-1,923**
as a % of Total revenue	-15.7%	-13.9%	-14.0%	-11.9%	-13.7%													-12.9%		
% y-o-y	8.0%	4.6%	3.7%	-12.2%	0.0%													6.5%		
Sales and marketir	-557	-590	-562	-639	-2,348	-68	**-2,416**	-52	**-637**	-50	**-685**	-51	**-651**	-55	**-738**	-208	**-2,711**	-2,670	-217	**-2,887**
as a % of Total revenue	-22.2%	-21.0%	-20.0%	-17.7%	-20.0%													-19.2%		
% y-o-y	8.6%	5.2%	9.1%	6.1%	7.2%													6.7%		
General and admir	-148	-137	-134	-141	-560	-32	**-592**	-23	**-162**	-23	**-162**	-24	**-162**	-26	**-176**	-97	**-663**	-590	-100	**-690**
as a % of Total revenue	-5.9%	-4.9%	-4.8%	-3.9%	-4.8%													-4.2%		
% y-o-y	13.0%	8.7%	-1.5%	-13.5%	0.7%													4.2%		
Other income/expe	-4	2	-10	-2	-14	-10	**-24**	-6	**-14**	-6	**-3**	-6	**-13**	-7	**-7**	-25	**-37**	0	-28	**-28**
o/w Restructuring charges																				
SYBASE cost synergies						*0*	*0*	*2*	*2*	*2*	*2*	*4*	*4*	*5*	*5*	*13*	*13*	*0*	*16*	*16*
Total operating ex	**-1,952**	**-2,023**	**-2,009**	**-2,236**	**-8,220**	**-257**	**-8,477**	**-218**	**-2,307**	**-222**	**-2,376**	**-241**	**-2,363**	**-280**	**-2,640**	**-962**	**-9,687**	**-9,320**	**-1,380**	**-10,700**
as a % of Total revenue	-77.8%	-72.0%	-71.3%	-62.0%	-70.0%	-65.9%		-74.0%	-74.2%	-72.8%		-71.7%		-68.9%		-71.6%		-67.1%	-69.0%	
% y-o-y	-5.5%	4.9%	5.6%	4.8%	2.4%													6.8%		
Non-recurring mai	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition relatec	-55	-53	-51	-51	-210	-4	-214	-3	-56	-3	-54	-3	-52	-3	-50	-12	-212	-150	-17	-167
Operating income	**557**	**787**	**807**	**1,369**	**3,520**	**134**	**3,654**	**77**	**804**	**84**	**1,012**	**94**	**1,035**	**127**	**1,645**	**381**	**4,496**	**4,580**	**620**	**5,200**
EBIT as a % of Total	**22.2%**	**28.0%**	**28.7%**	**38.0%**	**30.0%**	**34.3%**	**30.1%**	**26.1%**	**25.8%**	**27.5%**	**29.9%**	**28.0%**	**30.5%**	**31.2%**	**38.4%**	**28.4%**	**31.7%**	**32.9%**	**31.0%**	**32.7%**
% y-o-y	67.8%	21.6%	33.2%	29.7%	33.3%													11.3%		
Non-GAAP/IFRS Operati	612	840	858	1420	3730	138	3868	80	860	87	1066	97	1087	130	1695	394	4709	4730	637	5367
Non-GAAP/IFRS EBIT as	24.4%	29.9%	30.5%	39.4%	31.8%	35.3%	31.9%	27.2%	27.6%	28.5%	31.5%	28.8%	32.0%	31.9%	39.6%	29.3%	33.2%	34.0%	31.8%	33.8%
Other non-operating income/ expense, net	-36	-16	-8	-10	-70	-3	-73	-2	-17	-2	-12	-2	-13	-2	-14	-10	-58	-35	-10	-45
Financial income, n	0	2	3	5	10	-72	-62	-36	-31	-35	-29	-34	-27	-34	-26	-139	-113	45	-135	-90
Income before inc	**521**	**773**	**802**	**1,364**	**3,460**	**59**	**3,519**	**39**	**756**	**47**	**971**	**58**	**995**	**91**	**1,605**	**232**	**4,325**	**4,590**	**475**	**5,065**
% y-o-y	69.2%	26.7%	45.4%	33.8%	39.0%													12.2%		
Income taxes	-134	-220	-225	-380	-959	-21	**-980**	-14	**-214**	-17	**-281**	-21	**-288**	-33	**-464**	-84	**-1,246**	-1,335	-171	**-1,506**
Tax rate	**-25.7%**	**-28.5%**	**-28.0%**	**-27.9%**	**-27.7%**		-27.9%		-28.3%		-28.9%		-28.9%		-28.9%		-28.8%	14.9%		-29.7%
Minority interest	0	0	0	-1	-1													-1	0	
Net income	**387**	**553**	**577**	**983**	**2,500**	**38**	**2,538**	**25**	**542**	**30**	**690**	**37**	**707**	**58**	**1,140**	**149**	**3,078**	**3,254**	**304**	**3,558**
Net income as a % of	**15.4%**	**19.7%**	**20.5%**	**27.3%**	**21.3%**		20.9%										21.7%	23.4%		22.4%
% y-o-y	76.1%	17.6%	17.9%	16.4%	24.6%													11.1%		
Basic EPS, IFRS (ir	0.33	0.47	0.49	0.83	2.11	0.03	2.14	0.02	0.46	0.03	0.58	0.03	0.60	0.05	0.96	0.13	2.59	2.74	0.26	3.00
Basic EPS, non-IF	**0.36**	**0.50**	**0.52**	**0.86**	**2.23**	**0.03**	**2.27**	**0.02**	**0.49**	**0.03**	**0.62**	**0.03**	**0.63**	**0.05**	**0.99**	**0.13**	**2.73**	**2.83**	**0.27**	**3.10**

Source: CA Cheuvreux estimates

CA CHEUVREUX CREDIT AGRICOLE GROUP

Cheuvreux Tool Kit

Our DCF Valuation

Technical Analysis & Derivatives

Environmental, Social & Governance Issues

Our DCF Valuation

WACC

Risk-free rate	4.5%
Risk premium	4.0%
Beta	1.22
Cost of equity	9.4%
Gearing in market value	20.0%
Credit spread	2.0%
Cost of debt	6.5%
Tax rate	31.0%
WACC	**8.6%**

IMPLICIT BETA AND WACC AT THE CURRENT SHARE PRICE

Implicit Beta	1.59
Implicit WACC	9.8%

DCF SUMMARY

(EUR m)	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E
EBITDA	3,087	4,139	5,046	5,750	6,240	5,968	6,134	6,315	6,485
Tax on EBITA	(727)	(1,016)	(1,295)	(1,544)	(1,698)	(1,622)	(1,723)	(1,780)	(1,835)
Change in WCR	682	76	26	25	26	(17)	41	41	37
Capex	(225)	(4,246)	(355)	(398)	(425)	(425)	(453)	(480)	(505)
Financial investments	80	(1,213)	(425)	(127)	(680)	(680)	(724)	(768)	(808)
Disposals	0	0	0	0	0	0	0	0	0
Operating FCF	2,897	(2,259)	2,997	3,706	3,463	3,223	3,276	3,328	3,375
Discounted free cash flow	0	(2,081)	2,543	2,896	2,493	2,138	2,001	1,873	1,749

(EUR m)	FCF growth	DCF value	% EV	x/EBITDA	x/EBITA
Years 1-8	-49.5%	13,612	31.5%		
Terminal value	+2.5%	29,588	68.5%	8.8	9.7
Enterprise value		43,201	100.0%	10.4	16.7

DCF VALUE

Enterprise value	43,201
Financial assets and associates	770
Pension provisions	(51)
Other provisions	(479)
Net financial debt	1,009
Minority interests	0
Dilution	8,477
Shareholders' equity	44,450
/ Number of Shares (m)	1,189.00
/ Potential number of new shares (m)	0.00
Per Share, fully diluted (EUR)	44.51
Last Price (EUR)	37.86

SENSITIVITY OF OUR VALUATION TO CHANGES IN THE WACC/ DISCOUNT RATE AND IN GROWTH TO INFINITY

(EUR)		Discount rate or WACC (%)		
		8.1	8.6	9.1
Growth rate to infinity (%)	2.0	45.6	42.5	39.9
	2.5	48.1	44.5	41.5
	3.0	51.0	46.9	43.5

Technical Analysis & Derivatives

■ Technical Analysis

CHEUVREUX CRÉDIT AGRICOLE GROUP

Main Conclusion

The share is trending within an uptrend channel making higher highs and higher troughs a common pattern during a bull campaign.

In addition, the long-term 200-day moving average still offers a good buying opportunity.

As long as the share holds above the long-term moving average at the EUR33.50 level, we expect it to move towards the resistance level of the uptrend channel within a EUR40.75-41.50 target window or marginally higher towards a EUR42.90-44.00 window.

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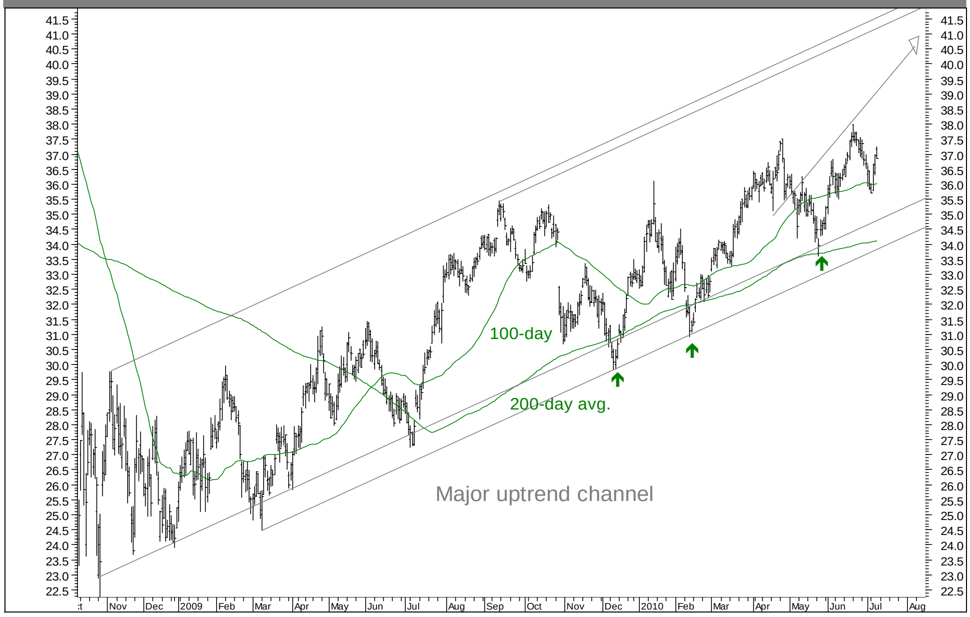
SAP: the share will reach the ideal EUR40.75-41.50 target window

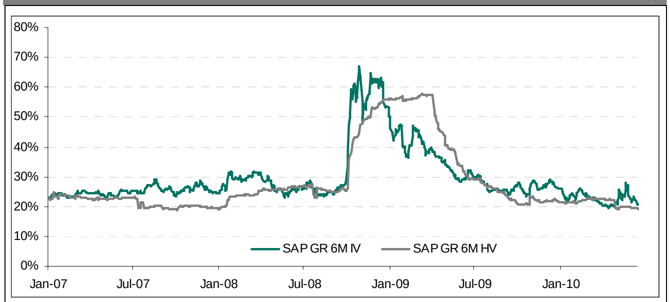


Source: Thomson Reuters

■ Equity Derivatives Research

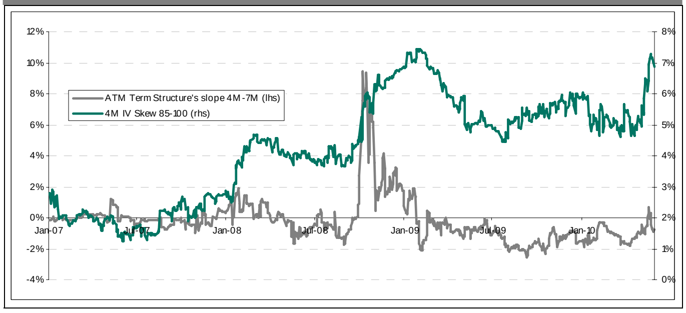
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

IMPLIED VOLATILITY VS HISTORICAL VOLATILITY



Source: Bloomberg

TERM STRUCTURE AND SMILE



Source: Bloomberg

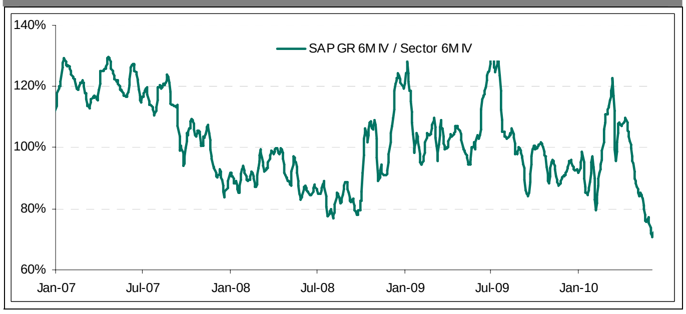
MAIN CONCLUSIONS

Implied volatility is back to pre-Lehman levels, just above 20% (under the level of the index, thanks to its beta of 0.9). This is in line with cash market where SAP has slightly over-performed. This is one of the lowest volatilities in its sector and in Europe.

It is interesting to note that we have at the same time a high skew and a steep term structure. It means protections are relatively expensive (this is structural) while, at the same time, the derivatives market prices a low level of uncertainty in the short term.

Raphael Hasson – Equity Derivatives analyst
Calyon- Credit Agricole CIB

SECTOR IMPLIED VOLATILITY



Source: Bloomberg

SRi Sustainability Research

Environmental, Social & Governance Issues

■ CORPORATE GOVERNANCE HIGHLIGHTS

1. Does the company have a combined chair/CEO?	No
2. Percent Independent Directors	31.30%
3. Does the company disclose its corporate governance policies or guidelines?	Yes
4. Do all executive board members own shares after excluding options held?	ND
5. Is the company currently under investigation for accounting irregularities?	No
6. Do all common or ordinary equity shares have one-share, one-vote, with no restrictions?	Yes
7. Do shareholders have a right to convene an EGM with 10% or less of the shares requesting one?	Yes
8. Do shareowners have a right to act in concert through written communication?	No
9. Potential Dilution from Stock Options Outstanding + Not Yet Granted Under Old or New Plans	0.00%
10. Is there a single shareholder or shareholder group which controls a majority of the voting power of the company?	No
11. Has the company adopted a shareholder rights plan ("poison pill")?	No
12. Disclosure on CEO remuneration details (amount detailed if disclosed)	Yes

The information contained in this table is written and presented under the sole responsibility of GMI. CA Cheuvreux does not accept any responsibility for any loss which may arise from reliance on information contained in this table

Source: GMI

■ CORPORATE GOVERNANCE ANALYSIS

SAP lends high priority to Corporate Governance and we note that three of the original founders, Mr Hopp (chairman of the supervisory board), Dr Plattner (former CEO), and Dr Tschira (who are now members of the supervisory board) were parties to a pooling agreement, which in the aggregate beneficially held approximately 24.6% of the company's outstanding ordinary shares. Having said that, we do not believe this pooling agreement provides the three largest shareholders with any undue influence over the board.

However, in January 2010 former CEO Leo Apotheker resigned with immediate effect after having not received any confidence from the Supervisory Board. Thus, since February 2010 the role of CEO has been split again between two executive directors Bill McDermott and Jim Hagemann-Snabe. In our view the splitting of the CEO role between two executives potential undermines decision making and creates potential conflicts regarding strategy.

Remuneration disclosure is broad and includes the main components of executive compensation (salary, bonus and benefits) for key individual executive directors. In addition, specific performance targets are disclosed for long-term incentive awards. Under the 2007 SAP share option plan, awards are based on share price appreciation with the strike price for options to vest equalling 110% of the base price. Under the 2010 incentive plan, awards are based on substantial increases in market capitalisation over a five-year period (2005-2010). The executive board will qualify for payouts under the plan only if, not later than the end of 2010, SAP 's average market capitalisation during the last six months of a year is not less than 50% greater than its average value between 1 July and 31 December 2005, (base value: EUR794,067,259) and the SAP stock outperforms the S&P North Software-Software Index (which is the successor of the GSTI Software index) over the same period. We note that if SAP 's market capitalisation increases by not less than twofold during the said period, the executive board will receive a payout of EUR100 million. However, given the current economic climate it is unlikely that this target will be met.

SAP runs an extensive internal compliance team, controlling the Code of Business Conduct and e.g. Third Party Sales Commission Policy as well as educating the group's staff on compliance matters. In addition, SAP has put a focus on an end-to-end approach to sustainability, encompassing, for example, legal compliance, efficient supply chain management, and environment, health, and safety management features. With SAP a member of Transparency International, corporate governance enjoys strong tradition within the group, which is also involved in university alliances and numerous corporate citizenship projects.

There is no evidence of any shareholder rights plans or preferred stock that could be used to diminish the rights of minority shareholders in the event of a hostile takeover.

■ E&S ISSUES FOR THE SOFTWARE SECTOR

1 Shortage of skilled employees: the company needs to pay attention to its attractiveness in order to obtain skilled people and to retain key talents.

Analysis for SAP

With SAP being Europe's leading software vendor, its brand ranked highly in global comparison (Interbrand), and its financials stellar, the company has long been regarded as one of the most attractive employers on the continent.

With the economic crisis requiring tight control of costs and, even for SAP last year, headcount reductions to increase the productivity of operations, the issue of availability of skilled labour has become far less of an issue. Assuming lower economic growth going forward, we believe SAP will have little difficulty in attracting a sufficient amount of high-quality talent, tapping all regions. The reduction of its global workforce by 3,000 to 48,500 by end-2009, representing SAP's first ever sizeable staff cuts, has neither resulted in any legal limitation for future hiring nor has it harmed the group's competitiveness. From 2005 to 2008, SAP's headcount increased by 10% annually on average. From 2007 to 2009, its headcount was stable. The company's attractive remuneration and extensive retention programmes ensure that it will remain able to retain all talent and attract new talent. Furthermore, continued acquisitions will help it bring further talent on board.

In order to ensure its competitiveness, SAP is investing in skill development programmes to attract and retain new talent through diverse learning management support in relation to specialisation and diversification of the employee's career. In 2009, performance at work was reflected in almost 75% of staff being given access to stock appreciation rights. In 2002 SAP introduced an employee satisfaction index, based on an annual survey. In addition, the company launched its Business Health Culture Index. In 2009, 75% of employees participated in the surveys.

	2002	2004	2006	2009
Business Health Culture Index*	59%	59%	62%	61%

*This index is based on employee feedback in a survey encompassing issues such as leadership, recognition, empowerment, reward, stress levels and life balance.

Surprisingly for a service company, the target is just to maintain a rating greater than 60%. However, from 2006 to 2009 the employee engagement data collected fell from 84% to 69% due to three main reasons: a lack of internal opportunities, a highly complex organizational structure, and a need for greater clarity in the company's strategy.

2 M&A: management of people, integration in a single entity and assets that need to be kept. How does the company manage successive M&A deals? What is the impact on team cohesion?

Analysis for SAP

SAP's experience in M&A is linked predominantly to the fast integration of small bolt-on, often start-up-type technology acquisitions. In 2009 it finalised five acquisitions in the fields of CRM (Sky Data Systems), carbon management (Clöear Standards), transaction management (Highdeal), logistics software (SAF), and project management (SOALogix). With that approach to be continued, the company will face little difficulty integrating the acquired staff and product technologies. However, with the takeover of Business Objects in January 2008 and its fast, very successful integration, management has demonstrated its capability to also handle much larger, multi-billion EUR transactions involving thousands of staff. While not a management priority, we believe further sizeable acquisitions, in addition to the pending Sybase transaction, may be carried out in the years ahead, albeit without SAP surrendering its generally careful approach. As far as intercultural integration management is concerned, the company has developed a special programme (GlobeSmart) to facilitate collaboration among employees. In terms of its turnover process, SAP has worked very quietly and smoothly with its staff, proposing generous early retirement plans. There have been no forced layoffs.

3 Software publishers can, through their products, influence their clients' business. Does the company provide any products that could make their clients' business more sustainable?

Analysis for SAP

SAP applies a consistent approach to the huge sustainability leverage it has on its customers. And it turns this into business. The company is committed to a well structured sustainable plan based on two clusters: the first looks at mainstreaming and optimising the environmental and energy footprint of the software solutions it provides to its 95,000 clients, optimising their IT assets. The second is a range of software offers developed under its "Solutions for Sustainability" umbrella. This latter is the Business Objects Sustainability Performance Management solution which includes specific software to optimise the supply chain (reducing CO2 emissions) alongside features on environment, health, and safety management. Another key initiative is the SAP Carbon Impact on-demand solution, modelling the carbon footprint. In addition, SAP lends support to its clients to allow them to pursue their sustainable strategies (including tools for sustainability performance management, energy data management, recycling administration, etc.). Its main tool is the Sustainability map developed in 2008 and updated in 2010 to provide all stakeholders with a comprehensive view of the sustainability development of an organisation. It is currently being updated, implementing stakeholder recommendations, and provides examples of companies implementing these processes. Furthermore, SAP developed management systems in order to respond to its clients who need to comply with REACH (Registration, Evaluation, Authorisation, and Restriction of Chemicals), ROHS (Restriction of Hazardous Substance Directive), and HAAS (High Activity Sealed Sources) regulations, assuring the traceability of specific substances. These solutions come with SAP's regular business suite but the company discloses neither the cumulative sales it generates in this segment nor its business and sales target. Together with SAP Product Lifecycle Management and other supply chain tools, SAP solutions for sustainability appear to be a promising catalyst for growth.

SAP

FY to 31/12 (Euro m)	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Profit & Loss Account									
Sales	**7,514.5**	**8,512.4**	**9,402.0**	**10,256.0**	**11,575.0**	**10,672.0**	**12,131.0**	**14,183.0**	**15,901.0**
% Change		*13.3%*	*10.5%*	*9.1%*	*12.9%*	*-7.8%*	*13.7%*	*16.9%*	*12.1%*
Staff costs	(2,968.0)	(3,371.5)	(3,833.1)	(4,192.0)	(4,917.0)	(4,963.0)	(5,389.5)	(5,688.3)	(6,173.7)
Other costs	(2,318.4)	(2,606.7)	(2,791.9)	(3,104.0)	(3,418.0)	(2,622.0)	(2,602.5)	(3,448.7)	(3,977.3)
EBITDA	**2,228.1**	**2,534.2**	**2,777.0**	**2,960.0**	**3,240.0**	**3,087.0**	**4,139.0**	**5,046.0**	**5,750.0**
% Change		*13.7%*	*9.6%*	*6.6%*	*9.5%*	*-4.7%*	*34.1%*	*21.9%*	*14.0%*
Depreciation	(209.7)	(203.5)	(214.0)	(262.0)	(539.0)	(499.0)	(485.0)	(550.0)	(550.0)
EBITA	**2,018.4**	**2,330.7**	**2,563.0**	**2,698.0**	**2,701.0**	**2,588.0**	**3,654.0**	**4,496.0**	**5,200.0**
% Change		*15.5%*	*10.0%*	*5.3%*	*0.1%*	*-4.2%*	*41.2%*	*23.0%*	*15.7%*
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**2,018.4**	**2,330.7**	**2,563.0**	**2,698.0**	**2,701.0**	**2,588.0**	**3,654.0**	**4,496.0**	**5,200.0**
Net financial items	55.8	89.9	122.0	135.0	(51.0)	(69.0)	(62.0)	(113.0)	(90.0)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(757.3)	(817.1)	(804.0)	(916.0)	(776.0)	(685.0)	(980.0)	(1,246.0)	(1,506.0)
Associates [contribution]	(1.5)	(104.3)	(13.0)	(9.0)	(26.0)	(84.0)	(73.0)	(58.0)	(45.0)
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	**1,315.4**	**1,499.3**	**1,868.0**	**1,908.0**	**1,848.0**	**1,750.0**	**2,539.0**	**3,079.0**	**3,559.0**
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(4.9)	(2.9)	(2.0)	(2.0)	(1.0)	(2.0)	(1.0)	(1.0)	(1.0)
Net attributable profit [loss]	**1,310.5**	**1,496.4**	**1,866.0**	**1,906.0**	**1,847.0**	**1,748.0**	**2,538.0**	**3,078.0**	**3,558.0**
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	361.0	235.0	152.0	147.0	118.0
Net attrib. profit [loss], restated	**1,310.5**	**1,496.4**	**1,866.0**	**1,906.0**	**2,208.0**	**1,983.0**	**2,690.0**	**3,225.0**	**3,676.0**
% Change		*14.2%*	*24.7%*	*2.1%*	*15.8%*	*-10.2%*	*35.7%*	*19.9%*	*14.0%*
Cash Flow Statement									
Cash flow	**1,525.0**	**1,702.9**	**2,082.0**	**2,170.0**	**2,387.0**	**2,249.0**	**3,024.0**	**3,629.0**	**4,109.0**
% Change		*11.7%*	*22.3%*	*4.2%*	*10.0%*	*-5.8%*	*34.5%*	*20.0%*	*13.2%*
Change in WCR	237.4	(229.8)	207.9	(765.0)	533.0	682.0	76.4	25.9	24.8
Capex	(3.9)	(3.9)	(3.9)	(400.0)	(339.0)	(225.0)	(4,245.9)	(354.6)	(397.5)
o/w Growth capex	(1.0)	(1.0)	(1.0)	(350.0)	(300.0)	(1.0)	(200.0)	(250.0)	(280.0)
Net cash flow	**1,758.5**	**1,469.2**	**2,286.0**	**1,005.0**	**2,581.0**	**2,706.0**	**(1,145.5)**	**3,300.3**	**3,736.2**
Financial investments	67.6	(433.8)	(87.9)	530.0	(758.0)	80.0	(1,213.1)	(425.5)	(127.2)
Net buyback of treasury shares	0.0	0.0	0.0	950.0	1,142.0	0.0	500.0	1,000.0	1,000.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	(248.6)	(341.9)	(446.1)	(564.1)	(603.7)	(595.5)	(594.5)	(715.7)	(954.2)
Capital increase	0.6	0.5	0.5	0.0	340.5	(59.7)	(70.0)	0.0	0.0
Other cash flow	(169.0)	(407.1)	(1,811.8)	(1,263.9)	(4,771.9)	(1,465.8)	2,412.6	(916.2)	(942.2)
Dec. [inc.] in net debt	1,409.1	286.9	(59.3)	657.0	(2,070.0)	665.0	(110.5)	2,242.9	2,712.7
Balance Sheet									
Shareholders' equity [group share]	4,594.3	5,782.2	6,125.0	6,507.0	7,169.0	8,477.0	10,347.9	12,706.6	14,611.0
Minority interests	22.0	7.6	10.0	1.0	2.0	14.0	17.6	22.2	25.8
Pension provisions	139.7	183.6	224.0	248.0	62.0	51.0	55.0	60.0	65.0
Other provisions	1,768.7	1,839.1	1,873.0	2,107.0	418.0	479.0	509.5	567.3	620.1
Net debt [cash]	(3,199.4)	(3,416.2)	(3,324.0)	(2,803.0)	1,323.0	(1,009.0)	1,982.0	(182.1)	(2,145.2)
Gearing [%]	NS	NS	NS	NS	18.4	NS	19.1	NS	NS
Capital invested	**3,325.3**	**4,396.3**	**4,908.0**	**6,060.0**	**8,974.0**	**8,012.0**	**12,912.0**	**13,174.0**	**13,176.8**
Goodwill	456.7	626.6	1,053.0	1,600.0	4,975.0	4,994.0	8,029.4	8,171.2	8,330.2
Intangible assets	68.2	139.7	200.0	225.0	1,140.0	894.0	668.3	419.1	170.6
Tangible assets	999.1	1,095.0	1,206.0	1,317.0	1,405.0	1,371.0	2,294.1	2,206.0	2,143.1
Financial assets	100.4	534.2	622.0	92.0	850.0	770.0	1,983.1	2,408.6	2,535.8
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital requirement	1,700.9	2,001.0	1,827.0	2,826.0	604.0	(17.0)	(62.9)	(30.9)	(2.9)
WCR as a % of sales	22.6	23.5	19.4	27.6	5.2	(0.2)	(0.5)	(0.2)	(0.0)
Capital employed	**3,325.3**	**4,396.5**	**4,908.0**	**6,060.0**	**8,974.0**	**8,012.0**	**12,912.0**	**13,174.0**	**13,176.8**

SAP

FY to 31/12 (Euro)	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E
Per Share Data (at 14/7/2010)									
EPS before goodwill	1.05	1.21	1.52	1.58	1.85	1.67	2.27	2.72	3.10
% Change		*14.5%*	*26.1%*	*3.7%*	*17.4%*	*-10.0%*	*35.9%*	*19.9%*	*14.0%*
EPS, reported	1.05	1.21	1.52	1.58	1.55	1.47	2.14	2.59	3.00
% Change		*14.5%*	*26.1%*	*3.7%*	*-1.8%*	*-5.2%*	*45.4%*	*21.3%*	*15.6%*
Goodwill per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.28	0.36	0.46	0.50	0.50	0.50	0.60	0.80	0.90
Cash flow per share	1.23	1.37	1.70	1.80	2.00	1.89	2.55	3.06	3.46
% Change		*12.0%*	*23.6%*	*5.8%*	*11.5%*	*-5.6%*	*34.7%*	*20.0%*	*13.2%*
Book value per share	3.4	4.3	4.5	4.9	5.5	6.6	8.1	9.9	11.4
No. of shares, adjusted	1243.210	1239.260	1226.260	1207.310	1191.000	1189.000	1187.000	1187.000	1187.000
Av. number of shares, adjusted	1243.210	1239.260	1226.260	1207.310	1191.000	1189.000	1187.000	1187.000	1187.000
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Price [Adjusted]									
Latest price	32.85	38.29	40.26	35.53	25.24	33.00	37.86	37.86	37.86
High	35.99	39.11	47.69	43.03	40.32	35.46	37.98	-	-
Low	28.65	27.66	33.75	32.83	20.75	24.48	30.91	-	-
Average price	32.60	33.93	40.22	37.10	32.39	30.36	34.97	-	-
Market capitalisation	40,839.1	47,448.2	51,124.3	42,636.0	30,035.6	39,204.0	44,939.8	44,939.8	44,939.8
Enterprise value	37,679.0	43,681.4	47,402.3	39,989.0	30,570.6	37,476.0	44,993.7	42,409.1	40,323.8
Valuation									
P/E	31.2	31.7	26.5	22.5	13.6	19.8	16.7	13.9	12.2
P/E before goodwill	31.2	31.7	26.5	22.5	13.6	19.8	16.7	13.9	12.2
P/CF	26.8	27.9	23.7	19.8	12.6	17.4	14.9	12.4	10.9
Attrib. FCF yield [%]	4.3	3.1	4.5	2.4	8.6	6.9	NS	7.3	8.3
P/BV	9.6	8.9	8.9	7.3	4.6	5.0	4.7	3.8	3.3
Enterprise value / Op CE	11.7	11.3	11.1	6.7	3.8	5.2	4.1	3.9	3.8
Yield [%]	0.9	0.9	1.1	1.4	2.0	1.5	1.6	2.1	2.4
EV/EBITDA, restated	16.9	17.2	17.1	13.5	9.4	12.1	10.9	8.4	7.0
EV/EBITA, restated	18.7	18.7	18.5	14.8	11.3	14.5	12.3	9.4	7.8
EV/Sales	5.01	5.13	5.04	3.90	2.64	3.5	3.7	3.0	2.5
EV/Debt-adjusted cash flow	25.3	26.6	23.7	19.2	12.6	16.3	14.7	11.4	9.7
Financial Ratios									
Interest cover	NS	NS	NS	NS	NS	NS	NS	NS	NS
Net debt/Cash flow	NS	NS	NS	NS	0.6	NS	0.7	NS	NS
EBITDA margin [%]	29.7	29.8	29.5	28.9	28.0	28.9	34.1	35.6	36.2
EBITA margin [%]	26.9	27.4	27.3	26.3	23.3	24.3	30.1	31.7	32.7
Net margin [%]	17.5	17.6	19.9	18.6	16.0	16.4	20.9	21.7	22.4
Capital turn [Sales/ Op. CE]	2.3	2.2	2.2	1.7	1.4	1.5	1.1	1.3	1.5
Gearing [%]	NS	NS	NS	NS	18.4	NS	19.1	NS	NS
Payout ratio [%]	26.6	29.8	30.2	31.7	32.2	34.0	28.1	30.9	30.0
Return [%]									
Pre-tax RoCE	62.6	60.3	59.8	45.2	33.2	35.7	33.4	41.8	48.9
RoCE after tax	39.7	39.0	41.8	30.6	23.4	25.7	24.1	29.7	34.4
ROE [%]	33.3	29.7	35.9	34.3	29.6	23.0	28.0	27.6	27.7
Return on equity, restated	33.3	29.7	35.9	34.3	36.4	26.5	29.9	29.1	28.8

Important Disclosures

APPLICABLE DISCLOSURE CLAUSES

Company	Closing Price	Rating	Disclosures
SAP	EUR37.86	1/Selected List	

A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.

D - One or more companies in the Crédit Agricole S.A. group held, as of the end of the second most recent trading day, a net sales position higher than 1% of the total issued share capital of the Company.

E - The trading portfolio of one or more companies in the Crédit Agricole S.A. group contained shares of the Company as of the end of the second most recent trading day.

F - Crédit Agricole Cheuvreux and/or a company in the Crédit Agricole S.A. group is a market maker or a liquidity provider for the financial instruments of the Company.

G - Crédit Agricole CIB and/or a company in the Crédit Agricole S.A. group has been involved within the last three years in a publicly disclosed offer of or on financial instruments of the Company.

H - Crédit Agricole CIB and/or a company in the Crédit Agricole S.A. group has concluded or is party to a non confidential agreement relating to the provision of investment banking services (except publicly disclosed offers mentioned under G) to the Company during the past 12 months or that has given rise during the same period to the payment of compensation or to the promise to get a compensation paid.

I - This research has been communicated to the Company and following this communication, its conclusions have been amended before its dissemination.

J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

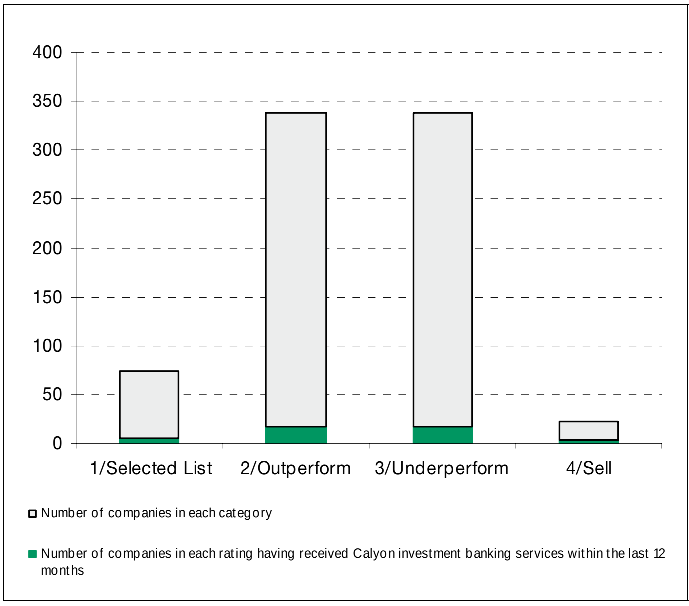
SPECIFIC DISCLOSURE CLAUSES

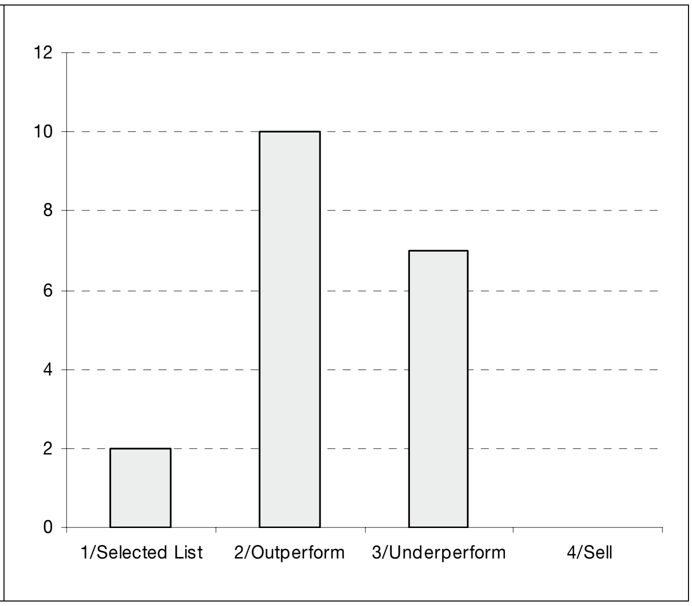
None

CHEUVREUX'S RATING AND TARGET PRICE SYSTEM

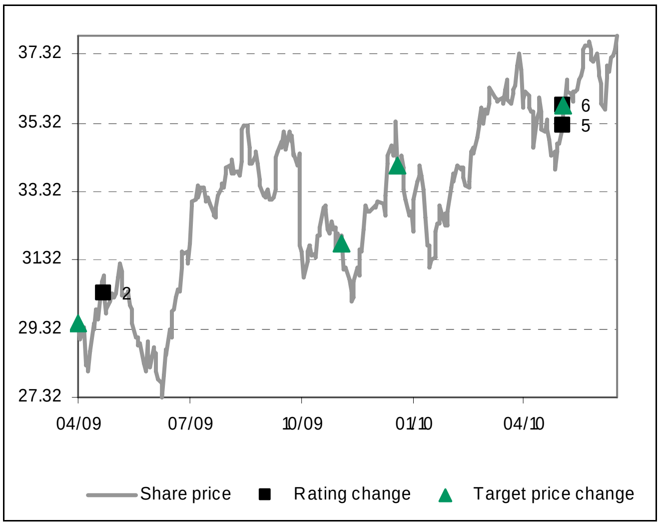
Ratings are built for a 6 to 12 month time horizon.	
1/Selected List	Expected to outperform the market and is in our country selected list
2/Outperform	Expected to outperform the market
3/Underperform	Expected to perform at best in line with the market
4/Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended. Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Crédit Agricole CIB, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
Target price methodology	Cheuvreux's target prices are derived from one or more of the following methodologies: DCF, SOP, peer comparison and EVA.
Quote definitions	Unless specified, all quotes that appear on Institutional research reports are closing prices the last business day.

OVERALL RATING BREAKDOWN (AS AT 31/12/2009)	RATING BREAKDOWN IN THE SECTOR (AS AT 31/12/2009)





SHARE PRICE TREND AND DATES OF CHANGES IN RATING AND/OR TARGET PRICE



DATES OF CHANGES IN TARGET PRICE AND/OR RATING

	Date	Rating	Target price
1	29/04/2009		EUR33.00
2	20/05/2009	3/Underperform	
3	30/11/2009		EUR32.00
4	15/01/2010		EUR36.00
5	31/05/2010	1/Selected List	
6	01/06/2010	1/Selected List	EUR41.50

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Country	Cheuvreux legal entity	Regulatory authority
Austria	Crédit Agricole Cheuvreux Zweigniederlassung Wien	Finanzmarketanfsicht (FMA)
France	Crédit Agricole Cheuvreux SA	Autorité des Marchés Financiers (AMF)
Germany	Crédit Agricole Cheuvreux Niederlassung Deutschland	Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
Greece	Crédit Agricole Cheuvreux Regus Hellas SA	Capital Market Commission (HCMC)
Italy	Crédit Agricole Cheuvreux – Milan Branch	Commissione Nazionale per le Societa e la Borsa (Consob)
The Netherlands	Crédit Agricole Cheuvreux - Amsterdam Branch	Autoriteit Financiële Markten (AFM)
Spain	Crédit Agricole Cheuvreux Espana SV SA	Comisión Nacional del Mercado de Valores (CNMV)
Sweden	Crédit Agricole Cheuvreux Nordic AB	Finansinspektionen
Switzerland	Crédit Agricole Cheuvreux - Zurich Branch	Autorité fédérale de surveill. des marchés financiers (FINMA)
UAE	Crédit Agricole Cheuvreux - Middle East Branch	Dubai Financial Services Authority (DFSA)
United Kingdom	Crédit Agricole Cheuvreux International Ltd	Financial Services Authority (FSA)
Turkey	Crédit Agricole Cheuvreux Menkul Degerler A.S.	Capital Markets Board (CMB)

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